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# CONTINUING EFFORTS TO COORDINATE AND SIMPLIFY MAJOR FEDERAL ASSISTANCE PROGRAMS

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## HEARING

BEFORE THE

## DOMESTIC TASK FORCE

OF THE

## SELECT COMMITTEE ON HUNGER
## HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

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HEARING HELD IN WASHINGTON, DC, SEPTEMBER 30, 1987

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**Serial No. 100-15**

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*Effective July 13, 1987.

# CONTENTS

Page

Hearing held in Washington, DC, September 30, 1987 ........ 1

Statement of:

- Bode, John W., Assistant Secretary, Food and Consumer Services, U.S. Department of Agriculture, accompanied by Bonny O'Neil, Director, Program Development Division, Food and Nutrition Services ........ 12
- Delfico, Joseph F., Senior Associate Director, Human Resources Division, U.S. General Accounting Office, accompanied by Daniel M. Brier, Group Director, Human Resources Division and William F. Laurie, Manager, Cleveland office ........ 21
- Emerson, Hon. Bill, a Representative in Congress from the State of Missouri, opening statement of ........ 3
- Espy, Hon. Mike, a Representative in Congress from the State of Mississippi, opening statement of ........ 7
- Gardebring, Sandra, Commissioner, Department of Human Services, State of Minnesota, accompanied by John Petraborg, Assistant Commissioner, Family Support Programs ........ 31
- Leland, Hon. Mickey, a Representative in Congress from the State of Texas, opening statement of ........ 6
- Lucas, Gale, Economic Service Worker, West Virginia Department of Human Services, on behalf of the National Eligibility Workers Association [NEW] ........ 35
- Panetta, Hon. Leon E., a Representative in Congress from the State of California, opening statement of ........ 1
- Roukema, Hon. Marge, a Representative in Congress from the State of New Jersey, opening statement of ........ 8
- Stanton, Wayne A., Administrator, Family Support Administration, U.S. Department of Health and Human Services ........ 9
- Upton, Hon. Frederick S., a Representative in Congress from the State of Michigan, opening statement of ........ 7

Prepared statements, letters, supplemental material, et cetera:

- "AFDC/Food Stamp Compatability Initiative" ........ 156
- Bode, John W., Assistant Secretary, Food and Consumer Services, U.S. Department of Agriculture:
  - Prepared statement of ........ 54
  - Responses to questions submitted by Hon. Mickey Leland ........ 67
- "Consistency for Food Stamp Program, Aid to Families with Dependent Children [AFDC] Program and Adult Assistance Programs," excerpt from the Federal Register, September 29, 1987 ........ 158
- Delfico, Joseph F., Senior Associate Director, Human Resources Division, U.S. General Accounting Office:
  - Prepared statement of ........ 69
  - Responses to questions submitted by Hon. Mickey Leland ........ 89
- Gardebring, Sandra, Commissioner, Minnesota Department of Human Services on behalf of National Council of State Human Service Administrators, American Public Welfare Association:
  - "Comparison of Food Stamp and AFDC Program Requirements with Recommendations for Change," July 1986, report entitled ........ 102
  - Prepared statement of ........ 90
- Lucas, Beverley Gale, Member, Board of Directors, National Eligibility Workers Association, prepared statement of ........ 126
- Stanton, Wayne A., Administrator, Family Support Administration, U.S. Department of Health and Human Services:
  - Prepared statement of ........ 44
  - Responses to questions submitted by Hon. Mickey Leland ........ 52
- Upton, Hon. Frederick S., a Representative in Congress from the State of Michigan, prepared statement of ........ 43

# CONTINUING EFFORTS TO COORDINATE AND SIMPLIFY MAJOR FEDERAL ASSISTANCE PROGRAMS

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WEDNESDAY, SEPTEMBER 30, 1987

House of Representatives,
Domestic Task Force,
Select Committee on Hunger,
*Washington, DC.*

The task force met, pursuant to call, at 9:35 a.m., in room B-318, Rayburn House Office Building, Hon. Leon E. Panetta (chairman of the task force) presiding.

Members present: Representatives Leland, Espy, Emerson, Roukema, Gilman, and Upton.

## OPENING STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Panetta. The Domestic Task Force of the Select Committee on Hunger is now in session for the purpose of receiving testimony on how we can improve coordination among programs which assist the poor and how we can simplify the operations of these programs.

These issues have long been of considerable interest to the Select Committee on Hunger and also to the House Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the Committee on Agriculture, which I also have the honor to chair. I have a shared interest in this issue with my good friend and colleague from Missouri, Bill Emerson, who is vice chairman of the Select Committee on Hunger and also ranking minority member of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition.

We have consistently made an effort to try to improve coordination among welfare programs and to seek simplification of these programs as a way to provide more efficient and effective assistance to Americans in need. I applaud the help that Bill has provided in this area and will continue, obviously, to try to work with him to achieve the objective of simplifying our welfare system.

At first glance, coordination and simplification of welfare programs looks like a dry and bureaucratic subject. It is a very complex issue, as the testimony we will receive this morning from the General Accounting Office and the Department of Agriculture and the Department of Health and Human Services will show.

Despite the complexity and the lack of political drama in the issue of simplification of assistance programs and improved coordination between them, these issues, very frankly, are the most effective way to quickly provide better services to welfare recipients, given the budgetary constraints that we face because of the deficit crisis. Coordination and simplification of welfare programs is not a substitute for welfare reform, but it certainly is an integral component.

Earlier this month, the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition approved food stamp welfare reform legislation, H.R. 3337, which has some very important provisions dealing with coordination and simplification. One immediate change would be to require that applicants for AFDC benefits be informed that they are eligible to apply for food stamp benefits rather than having these same applicants go to several different locations and not know whether they do, in effect, qualify for other benefits. The bill also authorizes demonstrations which would allow States to test the coordination of food stamp and AFDC benefits.

It would be a tragedy for low-income Americans if we do not achieve meaningful reform of the welfare system in this 100th Congress. For the first time in decades, I think there is a remarkable consensus on two very important reforms of the welfare system: first, the importance of strengthening the family unit; and, two, the need to provide employment and training opportunities to welfare recipients who can work to facilitate their transition from dependency to the dignity of work.

Unfortunately, there is a great slip between the cup and the lip on the issue of welfare reform. While there is a consensus on objectives, there is no consensus, unfortunately, on means. The administration believes that welfare reform can be achieved by simply allowing for pilot projects to take place among the various States to test different approaches. Frankly I think the problem is that welfare reform can't be achieved in a meaningful way unless we are willing to put an investment into the change in that system. Proposing demonstrations may be fine, but, ultimately, you have got to deal with the solutions, and solutions always involve additional investment, which is never pleasant.

Coordination and simplification should not be ignored while the debate about what constitutes welfare reform continues. I am pleased that the Ways and Means bill mandates the creation of a commission to develop recommendations on how to improve coordination between food stamps and the Aid to Families with Dependent Children Program and its successor program, the Family Support Program. I am also pleased that the Committee on Ways and Means incorporated my recommendation to include congressional representation on that commission because, ultimately, the Congress will have to implement whatever proposals the Commission comes forward with. Regardless of what happens, enactment of any kind of welfare reform in this session is obviously going to be an uphill battle.

This morning, we will hear from John Bode, assistant secretary for food and consumer services in the Department of Agriculture, and from Wayne Stanton, administrator of the Family Support Administration in the Department of Health and Human Services, on what proposals the administration is considering to simplify welfare programs and to improve coordination.

We will also hear from the General Accounting Office on some extensive work done by GAO to not only determine the views of State welfare directors on what needs to be done to improve coordination and simplify the system.

Finally, we will have the advantage of obtaining valuable insights from State and local officials who deal with this issue on a day-to-day basis.

In the end, I guess the point is this. Some will contest whether we can have welfare reform and simplicity and better coordination at the same time. I think my point is that you simply cannot have welfare reform without simplifying the process and improving the coordination between these programs.

There is just too much of a jungle of bureaucracy out there, and those of us who have taken hearings out in the field, gone through food stamp offices, talked with the people who receive benefits, looked at the complicated process that now exists, seen people who have qualified at the end of 30 days only to have to redo the paperwork because of some problem and then go through the entire process of filling out a myriad of documents only to find out that they have got to continue that process, it just creates an incredible bureaucratic maze for people that need these benefits immediately.

Obviously, the whole point of this is to try to catch the people who might in some way or another try to defraud the Government, but, you know, sometimes in that effort we lose sight of the people in need. I sometimes think that it would be better for us to try to simplify the process rather than overwhelm it with the kind of bureaucratic maze that now invades many of these programs.

It is a never ending struggle and it is not easy to do, but, on the other hand, I think unless we begin to move toward some kind of single stop center for those who are seeking assistance, whether it is AFDC or food stamps or anything else, if we are going to force these people to have to go to several different offices in order to receive the benefits they are entitled to, we are going to continue to have problems with these problems because we simply can't coordinate them the way we should.

So this is a very important issue, and I'm pleased that we are having this hearing, and I hope that we can take some action this year as part of welfare reform in terms of simplification.

Mr. Emerson.

## OPENING STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Emerson. Thank you, Mr. Chairman.

First of all, I want particularly to thank you and Chairman Leland for your willingness to reschedule this hearing. As some of you may remember, the memorial service for Secretary Baldrige and the farm credit bill markup in the Agriculture Committee occurred during those last few weeks before the recess, and that necessitated our postponing the hearing, and I truly appreciate the cooperation of my colleagues in rescheduling this very important hearing.

Today's hearing will focus on the results of an evaluation by the General Accounting Office concerning the coordination and simplification of several income and food assistance programs designed to help needy individuals and families. This is a subject in which I am deeply interested.

I would like to express my thanks to the chairman of the select committee, Mr. Leland, and to the chairman of the Nutrition Subcommittee, Mr. Panetta, for their continued assistance throughout this project. I appreciate their commitment and their invaluable help, and I thank you both sincerely for your support.

In July of 1985, the Select Committee on Hunger held a hearing on the need for coordination and simplification of Federal assistance programs. This issue, I believe, is a very basic one. The Federal Government operates 95 assistance programs for needy people. However, these programs are under the jurisdiction of several different committees of the Congress, different Federal agencies, and, in some cases, different State and local agencies. Some of this disparity is appropriate because of the nature of the individual program itself. However, for the major income and food assistance programs, this lack of coordination and resolution of the differences is extremely troublesome.

When a family is in need of help, that need is often found to cross current program lines. Need for income aid often means a need for food aid, for housing assistance, for medical assistance, and, for some, help in finding and keeping jobs. The hurdles that families must scale in applying for help are, indeed, immense. They often have to go to different agencies in their home counties, meet different eligibility standards, and abide by different and sometimes conflicting rules and regulations. That they are able to receive help is often a reflection of their abilities rather than the system that is presented to them.

Administrators of these programs both on the State and the local levels have similar problems. The resolution of differences among programs is often not within their ability to achieve. Many efforts have been made by administrators to reconcile these differences to coordinate and to simplify assistance programs. They may have gone as far as they can go. This is the situation presented to us.

As a result of interest in this issue, the Select Committee on Hunger, the Ways and Means Committee, and the Agriculture Committee in November 1985, requested an investigation by the GAO of this issue and the demonstration projects designed to simplify and better coordinate the administration of and delivery of benefits through income security programs. We have received several reports from the GAO on this issue, and I believe they are valuable to the discussions the Congress is having and will have in the future on simplifying and coordinating assistance programs.

In July of 1986, the GAO issued a report on the eligibility and benefits factors of needs-based programs. In that report, the GAO provided eligibility and benefit determination information for 54 of the 95 Federal benefit programs. In August 1986, a report was issued by the GAO on projects designed to coordinate services for low-income families. The GAO provided an inventory of service integration demonstration projects completed during the 1970 through 1985 period and a bibliography of literature on service integration.

In October of 1986, the GAO issued a report which contained 32 States' views on coordinating services for low-income families. That report has since been updated to reflect the views of 49 States and is available to the select committee today. Most States desire to achieve more service integration, many have conducted their own projects, and many believe that further help in resolving the problem must come from the Federal Government because of the program's rules and regulations.

I believe that as a result of the work of the select committee with the GAO we have been able to pull together valuable information on this topic of simplification and the coordination of programs for needy individuals and families. I am appreciative of the work of the GAO and of the staff of the select committee.

Today, the GAO will report to us on their work. They will offer their recommendations concerning standardizing eligibility and administrative requirements in order to make needs-based programs more responsive to the needs of persons applying for and participating in these programs and to those administering the programs.

On September 15, 1987, the Nutrition Subcommittee reported out a bill offered by Chairman Panetta aimed at coordination of the welfare system. As I said during that markup, I don't consider that or the work of other committees to be genuine reform of the current welfare system, and I find that I must generally oppose the subcommittee bill, although there are certainly aspects of Chairman Panetta's bill of which I do approve, and, as I said in the Nutrition Subcommittee at the time, if this is what we are going to call welfare reform, I think Chairman Panetta has done the best job that can be done with what we have, but I don't think that we can truly call it welfare reform.

I do find, however, one particular provision in Chairman Panetta's bill that is most intriguing. The administrators of welfare programs in the State of Washington have proposed a 5-year demonstration project to replace the AFDC and Food Stamp Programs with what they call a Family Independence Program. Under the Washington State proposal, the new program would have an education, training, and work component with requirements and an incentive system for seeking employment. Job development, subsidized employment when necessary, and funds for employment in public and nonprofit agencies, as well as training funds for private sector jobs are proposed. Support services, such as child care and medical care subsidies, for enrollees who participate in education, training, and work programs are also proposed.

This program will offer families specific levels of income based on their individual efforts and a basic level that would be similar to the present level of payments in the AFDC and Food Stamp Programs. Different levels would be established based on family size and the degree to which the enrollee participated or failed to participate in employment and/or training activities.

The chairman's package allows Washington to proceed with its plan so that a single application process and single eligibility standards for certain AFDC and food stamp participants who participate in employment and training programs can be initiated. The Ways and Means bill contains similar language.

However, the package reported out of the Nutrition Subcommittee expands this demonstration proposal to 10 other States as well. Once similar flexibility is provided in the overall House welfare reform package, 10 States will be given the flexibility to try out this concept. I have discussed this with the welfare administrators in my own State of Missouri, and they indicate that they are very interested in this proposal, and I will be interested in the comments of our witnesses here today on this proposal.

Once again, Chairman Leland and Chairman Panetta and the other members of the select committee, I want to thank you for your assistance and cooperation. Thank you.

Mr. PANETTA. Thank you.

Mickey Leland, chairman of the Select Committee on Hunger.

## OPENING STATEMENT OF HON. MICKEY LELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Chairman LELAND. Thank you very much, Mr. Chairman. Let me commend both you and Representative Emerson, the vice chair, for your leadership in this area. I particularly commend Mr. Emerson for his persistence in trying to reach some conclusion about one-stop shopping for the services that are vitally needed by individuals and families who are in dire need of help.

Over the past two decades, numerous programs designed to help the poor secure and maintain a decent standard of living have been put into place. However, the system has become overly cumbersome, and jurisdictional squabbles have overshadowed the original purpose of delivering services to needy people. There has been a lack of executive leadership to pull these programs together so that they effectively help people survive and get back on their feet as originally intended. To some extent, Mr. Emerson and I had a discussion yesterday on how we get to the root of the problem, and we hope that the select committee can provide some leadership in that area.

In 1985, the select committee conducted a hearing to assess the efficiency and effectiveness of major public assistance programs. We wanted to know how to improve application procedures to make it easier for individuals to access services and, at the same time, reduce the administrative burdens of program management.

We are here today to examine the progress that has been made in streamlining and integrating these programs and discuss other additional alterations we can pursue both in regulation and statute to help us achieve the goal of simplifying what has become an enigmatic public assistance structure.

It is ironic that only yesterday, after 2½ years, the Departments of Agriculture and Health and Human Services published proposed rules for conformance in the Aid to Families with Dependent Children and Food Stamp Programs. We have representatives from those Departments today, and I hope we can get some details as to how these recommendations will impact on the individual recipients.

In Congress, we have spent the past few months debating welfare reform legislation. Based on the committee's work with the public assistance network, I believe that if we are serious about reforming the system we have got to take a long, hard look at program integration approaches. I hope our hearing today will strengthen the focus on integration initiatives during the future welfare reform considerations.

Let me, by the way, commend the chairman this morning for his very vital leadership in this area as chairman of the House Agriculture Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition. I am sure that he has not proposed a panacea, because indeed the chairman is a practical person who recognizes what it is that we need to do and can do in this Congress. I must beg to differ with the ranking minority member in this instance when he has disagreed with the chairman's comments. Hopefully, together we can all make some concessions to help poor people, which is our ultimate goal anyway.

Thank you, Mr. Chairman.

Mr. PANETTA. Thank you, Mickey.

Mike Espy.

## OPENING STATEMENT OF HON. MIKE ESPY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. ESPY. Thank you, Mr. Chairman.

I would like to also thank you for your leadership on this issue and also thank the distinguished gentleman from Missouri, Mr. Emerson, for his interest and leadership as well.

I am pleased that the committee is continuing its examination of the coordination and simplification of the welfare structure. Many human services programs have been implemented in recent years that provide food, health care, and aid to dependent children, yet with the variance in programs there also exists a variance or duplication in program operations by agencies.

As has been discussed, our role here today is to continue the discussion toward simplification and make more consistent the guidelines and eligibility requirements for persons served by the various human resource and service agencies.

Not long ago, the chairman of the Select Committee on Hunger, the gentleman from Texas, Mr. Leland, brought the House Select Committee on Hunger to my home State of Mississippi and to my home district, the Second Congressional District of Mississippi. During that visit, State officials appearing before the panel acknowledged that with an "unprecedented level of cooperation from our health, welfare, and mental health departments, there still exists no strategy for comprehensive human services delivery."

With the wealth of information at our disposal, surely changes can be made to integrate administrative procedures that will emphasize participant-based service rather than continuing the line that we have been on, the line of administrative rhetoric.

With that, Mr. Chairman, I thank you.

Mr. PANETTA. Thank you very much.

Mr. Upton.

## OPENING STATEMENT OF HON. FREDERICK S. UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. UPTON. Thank you, Mr. Chairman.

In the interest of saving some time, I would like to ask unanimous consent that my statement be made as part of the record, as read.

Mr. PANETTA. Without objection, it is so ordered.

Mr. UPTON. I would like to just summarize a couple of points. First of all, I thank the chairman for today's hearing and commend him for his dedication to address this vital issue.

We have created a tremendously cumbersome bureaucracy to provide these services to low-income people. There is insufficient coordination between the vast array of Government assistance programs. Today's hearing is an essential part of congressional examination of the accessibility and effectiveness of our Government assistance programs. Specifically, could the several stops some low-income persons make in seeking Government benefits be condensed into one stop, one application? This could save everyone time, money, and aggravation.

I am optimistic that these hearings can result in better use of taxpayer dollars and better service to the needy. We must continue to be responsive to the vital needs of the poor while diligently working to improve the administration of the programs which serve them.

Thank you.

[The prepared statement of Mr. Upton appears at the conclusion of the hearing, see p. 43.]

Mr. PANETTA. Thank you, Mr. Upton.

Mrs. Roukema.

## OPENING STATEMENT OF HON. MARGE ROUKEMA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mrs. ROUKEMA. Mr. Chairman, thank you.

My comments will be brief. I think almost all that can be said or should be said has been said—almost all. I just want to make a few observations. As the former ranking member on the committee, I want to both thank the chairman, Mr. Leland, and certainly congratulate the new ranking member for his position. Both these gentlemen, Mr. Leland and Mr. Emerson, have been leaders in the subject that we are about to address today. I especially remember, dating back to the hearing in 1985, and the hearing held in Mr. Espy's district in Greenwood, MS, when Mr. Emerson and Mr. Panetta pointed out the necessity for this kind of reform.

But the reason I take a moment today is because I don't think that it has been stressed enough that this proposal should be an integral part of welfare reform. I have heard some disturbing discussions recently, or speculation, I should say, that indeed large components, if not the total welfare reform program, as reported out of the Ways and Means Committee with the combined jurisdiction of other committees, may possibly be wrapped into reconciliation. I think that would be most unfortunate. This is too important an issue and it is too critical a period of time, a unique period of time, when, for the first time in my memory, we have a political consensus on a bipartisan basis; if not in specific details agreement, a definite consensus that a major overhaul of the welfare reform system is in order.

So I would ask that perhaps as a result of these meetings, what we learn here today at this hearing, and our continuing communication with the majority members of this committee, that we do all possible as the Select Committee on Hunger, to urge the leadership to take up welfare reform as a separate entity and that we not lose this opportunity for a major overhaul in the system.

Thank you, Mr. Chairman.

Mr. PANETTA. Thank you.

The first panel consists of Mr. Wayne Stanton, who is Administrator of the Family Support Administration with the U.S. Department of Health and Human Services, and John Bode, who is Assistant Secretary for Food and Consumer Services of the U.S. Department of Agriculture.

I am going to apologize, because I have to leave to give testimony before the Merchant Marine and Fisheries Committee. I am going to ask Mike Espy if he would Chair the Select Committee on Hunger at this point, and I will return as soon as I have finished giving the testimony.

Mr. ESPY [presiding]. Mr. Stanton, please proceed.

## STATEMENT OF WAYNE A. STANTON, ADMINISTRATOR, FAMILY SUPPORT ADMINISTRATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. STANTON. Mr. Chairman and members of the committee, first let me express my appreciation for the opportunity to appear here today to discuss a vitally important topic of improving coordination among public assistance programs.

Secretary Bowen shares this objective. In fact, it was his commitment to improve program coordination that led to the creation of the Family Support Administration [FSA], which I administer. FSA brings together six programs that directly assist families—Aid to Families with Dependent Children [AFDC], Child Support Enforcement, Community Services Block Grants, Low-Income Home Energy Assistance, the Work Incentive Program for AFDC, and Refugee Settlement—into one agency.

For the Federal Government, this means improved administrative efficiency and, even more importantly, the opportunity to coordinate programs to achieve common goals. For States, it means a single point of contact for all of these programs and, therefore, a single voice to respond to questions and requests for guidance. That, in turn, means greater administrative efficiency and the ability to be more responsive to families in need.

I would like to illustrate my point by talking about a program you may be surprised, at first blush, to see in a list of assistance programs, the Child Support Enforcement Program. This is a program for all families with an absent parent, but, specifically, it serves as a critical element to the success of our network of public assistance programs.

Nationwide, about 90 percent of the children eligible for AFDC are there because of a living parent's absence from home either as a result of divorce, desertion, legal separation, or out-of-wedlock births. About half of these children have parents that have never been married. Yet, in 1986, only 8.6 percent of the AFDC payments were recovered by the States through child support collections.

Last year, paternity establishment, the first stage in obtaining child support for the child born out of wedlock, was accomplished for approximately 194,000 AFDC children. This is grossly inadequate given that approximately 890,000 of the children who came on AFDC in 1986 and 3.5 million of the children who were on AFDC that year had parents who were not married at the time of the child's birth.

Therefore, a reassertion of the legal and moral responsibility of parents to acknowledge paternity and support their children is an essential and vital part of the solution to the welfare dependency problem, and we are diligently working to achieve our goal of strengthening the child support enforcement system.

Improved child support enforcement means that absent parents can't walk away from their obligations to their children. That is good for the children who receive the support, not just because of the financial support provided but also because regular support payments can strengthen the ties between parent and child and becoming self-sufficient benefits everyone in the family. It is certainly good for the taxpayers because, to the extent that parents provide support for their children, public assistance resources can be redirected to meet other needs.

By bringing child support into the same administrative system as AFDC and other assistance programs, we are making progress toward the goals we all share, providing for families in need and helping those families become self-sufficient.

Creating FSA was only one step toward solving the overall problems of our complex welfare system. That is because the programs under FSA's jurisdiction are only a small part of this system.

A recent White House domestic Policy Council Low Income Working Group identified 59 major public assistance programs. These programs cost the Federal and State Governments more than $132 billion per year, take up more than 6,000 pages of Federal laws and regulations, are managed by eight Federal departments, and are overseen by a score of congressional committees.

This massive interrelated structure is further complicated by the fact that many of these programs have grown quite rapidly. Look at the extent to which AFDC and food stamps alone have grown in the past few years. AFDC began in 1936 as a program primarily directed toward widows and orphans. It now pays over $16 billion to 3.8 million families. Costs of the program have doubled in less than 15 years. The Food Stamp Program began as a commodity program and has grown into a $12.5 billion Food Stamp Program serving 7.1 million households.

These two programs serve many of the same families, and much of the information required to establish eligibility for the two programs is the same. Because of these similarities, one might assume that the programs would be largely compatible with only a few inconsistencies. Certainly that is what the States have called for repeatedly since the same State agency, even the same local workers, usually administer the two programs.

However, AFDC and food stamps have different goals and are governed by different statutes. They are handled by different congressional committees and administered by different Federal departments. As a result, differences in program requirements are inevitable. Yet we at HHS and the U.S. Department of Agriculture have to be concerned that regulatory requirements do not introduce more inconsistencies than is necessary between the two programs.

Over the years, both the Department of Agriculture and the Department of Health and Human Services have recognized the need to bring about increased consistency to the two programs by eliminating unnecessary eligibility differences in the programs. Both departments have worked to keep lines of communication open and to ensure uniform policies where possible in newly legislated areas, such as monthly reporting and work program requirements.

For example, in the Deficit Reduction Act of 1984, Congress authorized the Secretary of HHS to grant waivers to States in order to make monthly reporting and retrospective budgeting requirements consistent with food stamp requirements. Eight States applied for and did receive such waivers.

Over the past few years and months, AFDC and food stamp staff have met periodically in both informal situations and structured conferences and committee settings. For example, in 1985 AFDC and food stamps joined forces to hold a major national conference for top program administrators from the States. Subjects discussed at the conference ranged from work programs to automated data processing systems to error rate reduction, with a major emphasis on coordinating our efforts.

Additionally, an interagency AFDC/food stamp work group was established in early 1985 to address the issue of improving regulatory consistency. A notice of intent to develop regulations was published in February of that year. The notice solicited comments and recommendations on ways HHS and the Department of Agriculture could improve regulations and procedures between the programs within existing statutes.

Response to the notice was tremendous, indicative of the concerns of the States in this area. We received more than 100 comments including many recommendations directed at the Food Stamp Program. A number of recommendations would require legislative action to bring about consistency, and many others could be implemented by States without either legislative or regulatory changes. The work group convened to develop a notice of proposed rulemaking—NPRM—to address those issues which could be resolved by regulatory changes. The group's work was delayed by passage in 1986 of the new food stamp legislation.

However, just last week Secretary Bowen and Secretary Lyng signed the NPRM which was published in the Federal Register, as noted already here today, on September 29, yesterday. The NPRM includes 23 administrative changes addressing regulatory consistency between the two programs. I think there are 9 changes in the AFDC regulations and 14 changes in the food stamp regulations. Provisions relate to administrative procedures and to ways in which various types of income and resources are treated under both programs.

For example, in the AFDC Program we propose to allow more flexibility in meeting the requirement to provide a Social Security number. Under current AFDC rules, individuals are not considered to have applied for a Social Security number until all documentation needed to complete the application is provided. Under the proposed rules, individuals could be eligible for AFDC for up to 4 months if they have a special problem obtaining documentation and thus have good cause for failing to complete their applications. This change to the AFDC rules would provide consistency with current food stamp procedures and would simplify administration of the two programs.

However, most of the major differences between the two programs remain rooted in the Federal statutes. Therefore, under regulations, we cannot address the major problems that complicate administration of assistance programs today. In order to accomplish this task, the President has proposed the Low-Income Opportunity Improvement Act of 1987, H.R. 1288.

This bill would authorize the waiver of certain rules and requirements in Federal poverty programs in order to promote demonstrations of innovative solutions to the problems of welfare dependency. This legislation addresses the much larger problem of overlap and inconsistency among the dozens of public assistance programs. It provides State and local governments with the opportunity to operate outside of normal program rules and to develop creative solutions to systematic problems. We can learn considerably more about what works at the State and local levels because we still have sound evaluations of these innovative projects.

I firmly believe that if this legislation were enacted we would soon begin to see solutions that not only would solve the problems of inconsistencies between AFDC and food stamps but it would also show the way toward much needed reform of our entire social welfare system. Then we will be in a much better position to propose statutory changes that will positively impact on the welfare system as a whole.

Mr. Chairman, this concludes my prepared remarks, but I would be glad to answer any questions that you might have or any of your colleagues, and I thank you, Mr. Chairman.

[The prepared statement of Mr. Stanton appears at the conclusion of the hearing, see p. 44.]

Mr. Espy. Thank you, Mr. Stanton. We appreciate your testimony.

We are going to hold the questions until the conclusion of the second witness.

We turn now to Mr. Bode, assistant secretary for food and consumer services at USDA.

Thank you for appearing here.

## STATEMENT OF JOHN W. BODE, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY BONNY O'NEIL, DIRECTOR, PROGRAM DEVELOPMENT DIVISION, FOOD AND NUTRITION SERVICES

Mr. Bode. Thank you, Mr. Espy.

With your permission, I will summarize my remarks in the interests of time.

I would also like to introduce Bonny O'Neil with the Food and Nutrition Service, who joins me at the table.

Mr. Espy. Welcome.

Mr. Bode. Of course I am delighted to be here again, particularly to talk about integration and coordination of services, something this administration is very dedicated to. President Reagan announced on July 21 the creation of the new Interagency Advisory Board that Mr. Stanton referred to. It is dedicated to the administration's welfare reform initiative. The action is designed to enhance coordination of Federal public assistance programs and policies that now cut across departmental lines and to create a focal point for intergovernmental coordination.

The public assistance system we have is, of course, vast and complex. Much has been said about that already. Mr. Espy, I think the point you made in your opening remarks about the lack of a strategic integrated plan for addressing the needs of low-income families is all too often correct; there just isn't that sort of plan, and that is a basic concern of this administration.

Two broad approaches to dealing with this problem of fragmentation in the welfare system are efforts to mesh existing programs while leaving them structurally unchanged, and, second, fundamental welfare reform including basic restructuring of programs. I take it this hearing is dedicated primarily to the first point, so I will make most of my comments in that area.

We have a number of efforts under way. Mr. Emerson, I know, will bear clearly in mind the Simplified Application Standardized Benefit Project that we have had under way in the Food Stamp Program to better integrate services particularly with AFDC.

In late April of this year, USDA published a proposed rule for conducting this project. When comments have been analyzed and a final rule published, probably after the beginning of fiscal year 1988, we will be able to accept applications from States. This project provides up to five States and up to five political subdivisions the option of using AFDC, SSI, and/or Medicaid application in income and resource definitions in lieu of food stamp policies.

We have had demonstration projects using this approach in the field and operating already. They have reduced administrative costs as well as error and, of course, also had that all important but very difficult to measure benefit of more reasonable access to the program.

IEVS, another project: In order to implement the income and eligibility verification system required by the 1984 DEFRA, proposed and final rules were published simultaneously and with consistent policy for AFDC, Medicaid, and food stamps in all areas affecting State agency operations. So there is a case where we worked together in promulgating rules to implement a change in the statute and in that way had better integration of services.

Categorical eligibility: As a result of the enactment of the 1985 farm bill, households in which all members receive benefits from AFDC, SSI, or Aid to Aged, Blind, Or Disabled, under title 110, or 14, or 21 of the Social Security Act, are categorically eligible for the Food Stamp Program. Certain nonfinancial restrictions still apply, and categorically eligible households are subject to the food stamp benefit determination process, but that categorical eligibility has also had some benefits.

Joint processing: We have had a good deal of work done, and I will not go into all of the details of that work in joint processing of applications. Here, too, progress has been made in striving for the goals that I think this committee holds dear.

Alien verification: As a result of recent immigration legislation, a multi-agency task force was formed to implement new alien verification requirements which affect several entitlement programs, and we have done a great deal of work on that, which is detailed in my testimony as well.

Finally, I want to call some attention to USDA/DHHS conformance projects. A very important one, of course, is the rule-making, which Mr. Stanton discussed in more detail in his testimony. We feel that is an important project, but, as is generally the case, these rule-makings have a very limited scope that is available for simplification or integration of services and therefore should not be expected to accomplish too much, since there is not a tremendous amount of flexibility available in administrative discretion.

FNS has also participated in an interdepartmental work group which is overseeing the development of the Department of Health and Human Services' One Stop Demonstration Project. The one stop project makes a broad range of programs available at a single location. We appreciate our colleagues at HHS including us in their work on that one stop demo effort.

Finally, I wanted to turn to the second general area of discussion, and that is fundamental welfare reform. We, the administration, feel strongly that it is not necessary, at least at this point, to conclude to have fundamental welfare reform we have to spend a lot more money. We have over 50 programs addressing in one way or another the needs of low-income Americans, and we spend a tremendous amount of money. I think much good is done through that system of programs, but not always is the funding used in the most effective and efficient of manners.

Therefore, we ought to strike out on efforts to better target that assistance and develop that sort of strategic, integrated approach to the needs of low-income families. That is why President Reagan proposed what I regard as a rather bold approach to welfare reform in allowing States to undertake welfare reform initiatives and test those initiatives so we know what their results really will be before we implement them nationwide.

We feel it is important that we know what we are doing before we make broad, sweeping changes in the welfare system not only because there is a tremendous amount of money at stake but also because we are affecting the lives of tens of millions of people who rely on these programs for at least some assistance, many of them relying on a number of the programs.

So we feel this is an opportunity, and an opportunity to better meet the needs of low-income Americans, to make better use of the taxpayers' money through improved efficiency of service as well as more effective addressing of those needs, and it is an opportunity that we just should not allow to get away from us.

So we look forward to answering your questions.

[The prepared statement of Mr. Bode appears at the conclusion of the hearing, see p. 54.]

Mr. ESPY. Thank you, Mr. Bode. We appreciate your willingness to summarize your testimony, and we will accept the remarks and testimony presented and make them a permanent part of the record.

I just have one brief question for Mr. Bode before we move on to questions from Mr. Emerson.

In your prepared remarks, you noted that the complexity of the system makes it difficult for needy people to access services, particularly those who are poorly educated. In the hearing that we had in Mississippi, a lot of discussion revolved around the WIC Program and the efficiency or lack thereof of the WIC Program. Testimony came out in Mississippi that only 50 percent of the eligible recipients for the WIC Program actually received benefits. My question to you, therefore, is, What is the Department doing to try and educate these individuals about their possible eligibility for food stamp benefits and to help them through the application process?

Mr. BODE. With respect to the WIC Program, Mr. Espy, I think the factor there that is strongest is the size of the grant. The WIC Program is structured with priorities; it is structured in a fashion that is intended to make the best use of what money was made available, and that is why we have this elaborate priority system, and service is provided for those people according to their rank in the priority system and according to the amount of funds available.

The strongest benefits of the WIC Program are provided for pregnant women and infants, and those are basically our highest priorities and where we have a pretty good level of penetration. We do conduct outreach efforts in an attempt particularly to attract those people to apply for the program who can get the best benefits from it. There is no higher priority for us than those pregnant teenagers who are in a very sensitive and vulnerable situation.

Mr. ESPY. Could you speak more to the process of information though, distributing the information about eligibility to those that might be eligible for these programs?

Mr. BODE. In the WIC Program, I can provide more information and would be pleased to provide detailed information on the outreach activities. What we do is, according to the statute, each State should have an outreach effort for those high priority cases. We require the States to include a statement in their State plan of operations for how they are going to undertake those outreach activities, and we review those, assure that they are meaningful before approving the State plans. I would be happy to provide information.

To give you an example—I hate to be so vague about it—information is provided, brochures are provided, in settings where they might come to the attention of potentially eligible people, but we don't rely just on the written word, because all too often the people who need the assistance most are not readers. So we also work to inform personnel who might come in contact with them to use that as a means of spreading the word. The WIC Program is pretty widely known in the medical community and public health community.

Mr. **Espy**. Thank you.

Mr. Emerson.

Mr. **Emerson**. Thank you, Mr. Chairman.

Mr. Bode, in your opening statement you spoke of State and community efforts to better target welfare resources. In your prepared statement: "target welfare resources eliminate or reduce work disincentives and to increase individual choice." Can you tell us how you think this is going to result in new and bold opportunities?

Mr. **Bode**. I think any number of things can be done, Mr. Emerson, and there have been some ideas talked about that are very interesting. I suspect that some bolder things still could be done. Examples would be redirecting funds from programs that are less effective in providing assistance to meet the needs of low-income Americans.

I give the example: One of the programs I work with is the Child Care Food Program and how it operates in family day care homes. It is frustrating to me that over two-thirds of the assistance is going to people with income above 185 percent of the poverty level; that is about $20,000 a year for a family of four; and that is not preventing hunger in this country. That is child care food assistance that is being provided.

At the same time, we see frustrations many times in work programs in efforts to help low-income women with children get into the workplace, and those funds could be redirected perhaps from some of the child care food program assistance, assistance that is not going to low-income people, to provide better support and help low-income women with children get into the job market. That is the kind of flexibility that the President's proposal would provide. Other proposals pending on the Hill would not.

So there are other things that could be done, of course. That is one concrete example that I think could be very beneficial.

Mr. **Emerson**. Do you meet with other departments and agencies of the Government to hash these problems out and to see how you might better coordinate with programs of HHS and Labor? What I am asking here, I guess, is, is the right hand always conscious of what the left hand is doing in terms of these welfare programs?

Mr. **Bode**. Sir, I'm sure we are not always conscious of what the other departments and programs are doing just because of the sheer size of it; it is staggering. The Office of Management and Budget is, to some extent, a clearing house that is very helpful in coordinating efforts.

We are now meeting through the President's Low-Income Opportunity Advisory Board, and for the first time really we sit down together, representatives of the various departments do, and talk about initiatives that are underway. The President was very concerned that that be done to give expeditious consideration to multiprogram waiver requests. I think he remembers very well when he was Governor of California, in attempting to get some waiver requests through, he got bounced from one department to another, and the bureaucracy could be pretty staggering. That is why he directed us to get together and expeditiously respond.

Mr. **Emerson**. The Low-Income Opportunity Advisory Board, how often does that meet?

Mr. Bode. We have been meeting at least weekly of late, so there are plenty of meetings.

Mr. Emerson. That is an intergovernmental advisory board, it is not one of these advisory commissions of outside people that meet four times a year?

Mr. Bode. That is correct, sir. Chuck Hobbs, who is the special assistant to the President, chairs the group. Mr. Stanton is a member; Bob Helms, another assistant secretary at HHS, is a member; I am a member; Assistant Secretary Baroody from the Department of Labor is present, as well as a number of others. So we get together with regularity, and it is a "roll up your shirt sleeves," "butt heads" type session.

Mr. Emerson. Mr. Stanton, you wanted to comment on that?

Mr. Stanton. Yes. Let me ask, Mr. Emerson, with respect to these rules and regulations, Mr. Baroody's staff and my staff had begun meeting more than a year ago and had many "roll up your sleeves" sessions discussing inconsistencies in regulations and how we could better work together. So we had many, many meetings and spent many hours, and it was finally consummated by John here and I working together to see what we could agree to on these regulations.

So I am really pleased that we are publishing 23 proposed changes and simplifications and coordinating regulations between Agriculture and HHS, which I am absolutely convinced will assist the applicants very substantially in making better use of these programs to meet their needs.

Mr. Emerson. If we are operating under the 5-minute rule, Mr. Chairman, I think I have used my time. I do have more questions, but I should defer to other Members in the meantime.

Mr. Espy. We will be glad to come back to you, sir.

Mr. Leland.

Chairman Leland. Thank you, Mr. Chairman, and I thank also the ranking minority member for his kindness in his observance of the time constraints we have.

Mr. Stanton, if we are to succeed in making programs more effective and efficient across the board, we have to take into consideration how changes will affect applicants and participants. I would like to know how heavy a role clients' rights and benefits played in the crafting of these proposed rules and what kind of impact they will have on these individuals.

Mr. Stanton. Mr. Leland, your question makes me think of a couple of things. At the local level of administration—I was there for 14 years and at the State level of administration for 9 years—we made it a common practice to always tell the applicants of all of their rights to benefits of appeal and hearings and the chance to higher level supervisory staff review any question that they had with respect to their eligibility.

I am really sure and confident that that is a pretty common practice throughout the Nation. I think that all welfare departments are interested really meaningfully in helping those persons that they see to be in need that do conform with the laws and the regulations that are provided.

Having said that, I think that we, in the development of these new regulations—I indicated to you already I am 30 years experienced in this area at all levels of administration of public welfare, and many of my other people are too that I deal with. We received suggestions from all over the Nation in this area, and we dealt with them for many meetings many, many months that we worked together and thrashed out differences. So I think the total range of input has been wide in these new regulations.

Chairman LELAND. Let me ask you too, what kind of flexibility in program administration would you support for States in operating the Food Stamp and AFDC Programs?

Mr. STANTON. In that regard, let me say that we have a wide range. Since I have been the administrator of the Family Support Administration, since this department was formulated by Secretary Bowen, I probably have had half a dozen requests for waivers from States. I have yet to deny a single waiver request of a State that wanted some variation on how they handled this or some experimentation of how they wanted to do this or that, something indifferent.

I have indicated to all the States that we are not inflexible, we are not set in concrete, and that is the purpose of our program, to be flexible and to let them adjust or experiment, if you will, with some of the programs that we administer, and we have gone forward in that area, and I am really pleased about that.

I will say this. With respect to AFDC and food stamps, these are almost always, to my knowledge, housed in the same operation, the same persons do the eligibility determination, there is a very close coordination between these people even though some departments do have separate intake, income eligibility situations—AFDC, food stamps, et cetera, and other programs.

But I have been trying to emphasize to all the State administrators in meetings all over the country a greater coordination with these two programs but especially with child support, because, Mr. Leland, I would say this: If one thinks about coordinating programs and if one thinks about welfare reform, I agree with Senator Moynihan in this regard, one must begin by child support enforcement activities.

When one looks at the causal factors of welfare dependency, it is 90 percent across the Nation because of divorce, desertion, legal separation, and more than 50 percent of the applicants are unwed mothers. We must begin to deal more meaningfully with this program in order to affect dependency. That is the single greatest cause of welfare dependency, and it must be dealt with. If Congress really wants to be serious about welfare reform, they must deal in that area up front, ahead of everything else, because that is where the action is.

Chairman LELAND. Thank you, Mr. Stanton.

Mr. Bode, welcome back to the committee. Let me ask you a couple of questions, if I have the time.

In your statement, you refer to proposed rules published in April for the operation of a Simplified Application Standardized Benefit Project. How does this project differ from the project authorized in 1981?

Mr. BODE. I think the primary difference, Mr. Chairman, is reflecting the 1985 farm bill admonition to the Department that the neediest households should be protected in the simplified application projects. Many times in the simplified application standardized benefit procedures, while the same amount of benefits may go out, they don't go out with the same distribution, and the Congress was concerned, and we shared the concern, that the neediest households, those with the lowest income, be protected. So there are better protections there. Finally, we have a budget-neutral approach that is being taken here that was not the case in those demonstration projects.

Mr. Chairman, may I also add with respect to the clients' rights issue, I think Mr. Stanton did a good job, but I wanted to emphasize that I feel the full array of protections for clients' rights were deployed in this rulemaking.

Chairman LELAND. They were?

Mr. BODE. They were used in this rule-making. The constitutional protections, of course, were the specific statutory protections in the authorizing legislation for both programs, and, finally, our Administrative Procedures Act requires us to, and we are pleased to, receive comments from all parties, including advocacy groups and members of the public who care to offer comments, and that is an additional means of protecting those clients' rights.

Chairman LELAND. Mr. Stanton.

Mr. STANTON. Mr. Leland, could I add one comment to that, please. I think you will find these proposed regulations liberalize and make the programs more available, more accessible, to more people, and I think you will be surprised to see some of those proposals; I think you will be pleased with them.

Chairman LELAND. Very good.

One last question. I know Mr. Upton is waiting. In your prepared remarks, Mr. Bode, you discussed joint processing requirements in the Food Stamp Program. What steps is the Department taking to assure that these requirements are carried out in the States?

Mr. BODE. We require the States to include their statements of how they are implementing these procedures in their State plans. Our regional offices review them.

Are they also included in management evaluation?

Ms. O'NEIL. Yes.

Mr. BODE. OK. Ms. O'Neil, would you like to add anything?

Ms. O'NEIL. The first check is through their manual. If it is our regional office's review, it has all their procedures, very specific on SSI coordination as well as AFDC and other programs. Then we also require management evaluations, not just our staff going out and looking at what States do but States going out to local areas and checking to make sure that all the provisions in the manual are correctly followed.

In addition, you may know that we have published recently some new regulations in this area as a result of the farm bill that deal with joint processing having to do with Social Security recipients, not just SSI, and we have something coming out soon dealing with people that are about to be released from institutions who are going to become SSI recipients and will be given an opportunity also to apply for food stamps at the same time.

Chairman LELAND. Very good. Thank you, Mr. Chairman.

Mr. ESPY. Thank you, Mr. Chairman.

Mr. Upton.

Mr. Upton. Thank you.

Mr. Stanton, I would presume that the States'—and we are going to hear from the State of Minnesota a little bit later—States' reaction to the creation of the FSA board has been a very positive one. Could you elaborate on some of the comments that you have received back?

Mr. Stanton. I think it has been a positive one, it has been a healthy one, and many States have advised me that, yes, it makes it better for them, they feel more unified, people are more easily identifiable as to whom to go to. I have created in each region a single regional administrator for these programs, not half a dozen different persons but one person who is responsible, who answers only to me in the development and coordination of these programs.

I would say this sort of thing, too. We have been working with the States very diligently to try to get them to be as coordinated in their total approach as possible. We have been making a great effort on that, and our data is beginning to show considerable improvements in that area.

I am impressed with the improvements the States are making in the child support collection area. Two years ago, they were averaging increased collections and recovery of AFDC payments 10.7 percent, or total collections increased 10.7; last year, it was 20 percent; this year, I think it will be 25 percent increase in child support collections. This is because, really, we have been encouraging the States to make a greater effort, to be more coordinated, and to get their act together to look at causal factors of dependency. So I think there has been a very favorable result. I really haven't heard a single complaint, and I think it is oftentimes, if you are not doing something right, people are more apt to complain than they are to commend you in that regard.

Mr. Upton. Isn't it true that only about 50 percent, in fact, of all the child support cases are actually collected in terms of the dollars?

Mr. Stanton. Yes, it is true. That is about exactly it.

Many of the collections in the past have been done on a voluntary basis, not because of someone looking over their shoulder suggesting it should or could be done, and where you see the greatest incidence of noncompliance with court-ordered support payments is welfare. It then is almost a direct invitation or referral when support orders are not paid to the welfare department for assistance.

That is why I am especially pleased that Congress and the administration in 1984 passed the Child Support Amendments of 1984. They did a lot of good to implement and to strengthen this total program, to make that program available to all persons, whether they are on AFDC or not, and I think that is a big preventative factor of welfare dependency. I commend every Member of Congress. I would remind you all that you all voted 100 percent in Congress in favor of that legislation. I think it is worthwhile.

Mr. Upton. Thank you.

Mr. Bode, in your testimony you talk about combining the AFDC, SSI, and Medicaid. Do you have any statistics or relationship that you can show where the administration's actual figures for administrative costs have been reduced because of the combination of those programs? Have you done any study to look at the better efficiency?

Mr. BODE. Mr. Upton, we don't have data on that. The number of cases there is modest as well in terms of the size of the overall program.

I would like, if I may, to respond further to you in terms of possible data collection in the future.

Mr. UPTON. OK. I appreciate it.

Mr. BODE. Yes, sir.

Mr. UPTON. Thank you.

Mr. ESPY. Mr. Upton, we do have another panel waiting, but I would like to yield to Mr. Emerson if he has an additional question.

Mr. EMERSON. Mr. Chairman, I think it would be more appropriate if we could have unanimous consent to submit questions in writing. I know we do have a number of witnesses waiting to testify.

Mr. ESPY. Without objection, it is so ordered.

Thank you, Mr. Bode and Mr. Stanton, for your willingness to appear and for your testimony.

We now move to the second panel. In 1985, the select committee requested that the General Accounting Office conduct an evaluation of demonstration projects designed to improve the coordination of major public assistance programs and examine what States are doing to integrate application procedures and methods of service delivery. The results of this research will be discussed by the next witness, Mr. Joseph Delfico, the senior associate director of the Human Resources Division at the GAO. Mr. Delfico is accompanied by Mr. Daniel Brier, group director of the Human Resources Division; and Mr. William Laurie, senior evaluator of the Detroit regional office.

Mr. Delfico, you may begin.

## STATEMENT OF JOSEPH F. DELFICO, SENIOR ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY DANIEL M. BRIER, GROUP DIRECTOR, HUMAN RESOURCES DIVISION, AND WILLIAM F. LAURIE, MANAGER, CLEVELAND OFFICE

Mr. DELFICO. Mr. Espy, I would like, with your permission, to submit the full testimony for the record and present a brief summary.

Mr. ESPY. It is so ordered. It will be made a part of the permanent record, sir.

Mr. DELFICO. Thank you.

Our testimony today focuses on the integration of services for low-income families, a subject that has received considerable attention by this committee and at all levels of government. The testimony is based on a series of reports that we have issued to the select committee over the past year. Primarily, we will focus on our July 29, 1987, report on the results of our 50-State survey of the status of service integration and the States' views on obstacles and actions needed to enhance integration.

Our efforts focused on the Aid to Families with Dependent Children Program—AFDC—Emergency Assistance to Needy Families with Children, Medicaid, food stamps, Low-Energy Assistance, and section 8 housing programs. We also looked at four types of service integration. The four types we will be talking about are the colocation of delivery units, the coapplication, coeligibility determinations, and single case managers.

As detailed in our report, many States have taken steps to foster integration by restructuring their departments responsible for welfare programs and consolidating some programs' services for low-income families. States reported substantial integration among the AFDC, Medicaid, Food Stamps, and Emergency Assistance to Needy Families with Children Programs. The Low-Income Energy Assistance Program is integrated with the other programs but to a much lesser extent, and the section 8 housing program is only minimally integrated.

When asked for views on the need for further service integration, 37 States indicated they strongly support enhancing integration efforts and that favorable outcomes could result if such activities were increased.

According to the States, there are certain obstacles at the Federal level barring achievement of greater service integration for low-income families. One major category of obstacles is program differences. Generally, each of the six programs uses different definitions and terminologies. For example, income and asset limits are defined differently among AFDC, food stamps, and section 8 housing. In addition, the programs use different factors in determining eligibility and benefit amounts.

A second major category of obstacles is coordination. The States believe that the sheer number of agencies, organizations, and congressional committees involved in administering and overseeing services provided to low-income families makes coordination extremely difficult. For example, 4 of the programs we included in our survey are overseen by 11 House and Senate committees with legislative responsibility, 2 Federal departments, 2 Federal agencies, 50 State welfare departments, and numerous county and district welfare offices.

According to the States, Federal actions, more so than State or local actions, are needed to realize additional service integration. A majority of the States believe their efforts to increase integration would be greatly helped by Federal actions to further combine, simplify, and make uniform program rules, including eligibility requirements, terminology, administrative requirements, and quality control measures. These States also felt the need to improve coordination among legislative committees, Federal agencies, and levels of government, and within agencies, and they felt there was a need to increase funding for service integration demonstration project, computer systems, and program administration.

GAO supports continued efforts to integrate services, including standardizing eligibility and administrative requirements for specific target populations. As these efforts continue, several steps could be taken to enhance the possibilities for success.

Whether restructuring existing programs or attempting to better coordinate them, it is useful to focus on discrete target groups. For instance, focusing on AFDC families and their needs rather than focusing on programs that serve them as well as others should aid in attempts to make program eligibility criteria and administrative requirements more consistent. Also, this approach could help those families become more self-sufficient.

H.R. 1720, for example, which focuses on AFDC families, provides for a needs assessment for each family, improved integration and coordination among AFDC and food stamps, their core programs, and also education and training programs to help them become self-sufficient. We believe this is an appropriate integration strategy allowing for the incremental consideration of additional programs that serve AFDC families.

Next, the difference among programs serving the target groups should be analyzed with a view toward identifying both differences that inhibit integration and those that provide the best opportunities for making program requirement similar.

I would like to call your attention to page 6 of my prepared statement for some examples of program differences. One example on page 6 is income limits. If you look at item 2 under eligibility criteria, you will note the difference in how income limits are viewed for eligibility for AFDC, food stamps, Medicaid, and section 8 housing. This is just a small example of some of the problems we run into in trying to coordinate and integrate services.

For example, the income limit for AFDC to become eligible should not exceed 185 percent of the State's standard of need. Each State has a different standard of need. If you move to the food stamp area, automatic eligibility is now in place for households containing only AFDC recipients. We have calculated that to be about 65 percent of AFDC families there is another 35 percent that don't fall into that category. For those, the eligibility criterion is 130 percent of the poverty line.

Automatic eligibility is given to AFDC recipients for Medicaid. However, for section 8 housing the family income has to be below 80 percent of the area median income based on HUD standards. So for these four programs we have four different eligibility criteria. As you can see from this one example, there are various requirements for eligibility based on income alone.

Next, we feel that options for standardizing or eliminating program differences should be identified and evaluated using such criteria as the effects on programs' objectives, benefits and administrative costs, responsiveness to clients' needs, and the reduction of error and complexity.

For example, one option for further integrating the four programs we have discussed would be to make all AFDC families categorically eligible for food stamps and section 8 housing. All are now eligible categorically for Medicaid. Under the Food Security Act of 1985, households in which all members receive AFDC are categorically eligible for food stamps. Our work has shown that, as I mentioned earlier, about 65 percent of AFDC families live in such households.

From the standpoint of administrative costs—which relate to fewer eligibility determinations—responsiveness to client needs—which deal with less burdensome application procedures—and reduced errors—which deals with less chance of an eligibility mistake—such an option may be well received. However, this option may tend to shift the Food Stamp and Housing Program objectives toward serving the AFDC population rather than low-income households generally, and increase, at least for food stamps, benefit costs.

We recently reported that a 1984 demonstration project carried out in four locations in which AFDC families, for the most part, were made categorically eligible for food stamps achieved administrative cost savings and reduced errors at two locations, but resulted in increased benefit costs that more than offset savings. The primary reason for the benefit increases was that the Congress required that average food stamp benefits for the target groups were to be kept as high as the average benefits that would have been provided under conventional food stamp procedures. Such "hold harmless" provisions should be a major consideration in any future deliberations on program integration because they could result in increased benefit costs.

Uniformity among eligibility criteria and procedures for the AFDC and Food Stamp Programs would only solve half the complexity problem because each program involves a unique second process for computing benefits. Thus, even if AFDC families were categorically eligible for food stamps, separate benefit competitions would still be required. This is because rules differ between the two programs for the treatment of such factors as earned income disregards to determine benefits.

Any change made in the programs could affect the incomes and relative poverty status of welfare families as well as the administrative requirements imposed on them and the agencies. Analytical models can help to gauge the effects on both the Federal and State governments of prospective changes in eligibility requirements.

The Ways and Means welfare reform initiative proposes that a commission be established to identify avenues for further integrating the AFDC and Food Stamp Programs. We believe that this is an appropriate strategy for focusing the research and analysis that necessarily must accompany an examination of program change options.

Although eligibility differences among the programs may be more difficult to resolve than procedural or administrative differences, many procedural improvements cannot reach full potential until eligibility requirements are simplified. Nonetheless, as we have testified, State and local governments can make and already have made many improvements on their own initiative even with no changes in program design.

Thus, we believe the Congress and executive agencies should continue encouraging States to undertake such integration initiatives as the use of the single application forms for several programs, colocation of services, the use of single-case managers, and coeligibility determination.

This concludes my statement. We would be pleased to respond to any questions you may have.

[The prepared statement of Mr. Delfico appears at the conclusion of the hearing, see p. 69.]

Mr. Espy. Thank you, Mr. Delfico.

We are concerned that after completion of the demonstration projects, Congress is not adequately apprised of the positive outcomes which may merit implementation in all States. Do you see any progress in developing standards for evaluating the projects and implementing the positive facets in other States?

Mr. DELFICO. We looked at 15 years of demonstration programs, Mr. Espy, and the track record was pretty sad as far as evaluations were concerned. We looked at 50 demonstration programs. We compared those 50 demonstration programs to what we have now ongoing in the 5 demonstration programs that DEFRA authorized in 1984, and we do see a difference in the way the evaluation components are being designed.

I think for the first time there has been a concerted effort to include evaluation in the design of the program. We looked at the initial evaluation designs about a year ago and saw an improvement compared with the 50 that we had looked at prior to that. So there is some movement in that direction. I would say it is positive.

Mr. ESPY. Good.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Delfico, your recommendations for standardizing eligibility are intriguing, and I think we need to take a very close look at it. You mention the jurisdictional problem. I think this may be the most difficult problem we have to overcome. This committee, for example, is a select committee with no legislative authority. Probably the best we can do is to make recommendations to those committees that do have legislative authority. There is a tremendous turf problem there.

Also, in the different departments and agencies of the Government that administer these programs there is a terrible turf problem there. If you, in your objective position, could, I would certainly welcome any suggestions you may have as to how we can resolve these turf problems.

Mr. DELFICO. I think one approach in the future, not resolution of the turf problems because I don't believe I have a pat answer for that, but one approach that may help bring the committees together is to work with the coordinating functions that have been designed into most of the major pieces of welfare legislation as of now. As I mentioned earlier, H.R. 1720 proposes a coordinating group. That coordinating group, if effective, could help resolve problems such as the ones you have encountered. The administration's proposal also has a coordinating group that includes legislative agency representatives in the coordinating body.

So these bodies, wherever they are established, could be a focal point, a clearing house, for the information that will be coming out of the demonstration projects and for the information that will be coming back from the States on their progress.

Mr. EMERSON. Do you think this interagency low-income opportunity board is a worthwhile mechanism?

Mr. DELFICO. I think it is; yes, sir.

Mr. EMERSON. That is very interesting. One of the problems is that there are so many meetings around this town, both here in Congress and downtown. Communication itself, per se, is a difficult process. Here is a very serious problem. We have been trying for a couple of years to bring it into proper focus, and I think with your excellent testimony here we finally may be getting to the description of the problem. We have been grappling to define the problem.

I don't know how long it is going to be before we have a solution, but I certainly commend you for what you have done in taking a look at the whole apparatus, seeing where we may fit the pieces together better. It is a frustrating business. I think we all want to see things simplified and streamlined, but the problem of getting everybody on board at the right point in time seems to be the one obstacle that is never attainable.

If you would, Mr. Delfico, would you give the committee just a few of the main reasons why you think the low-income families who may be eligible for program benefits in their States may not be receiving them? We know the difficulty of obtaining transportation, for example, is one major obstacle, but would you elaborate on that?

Mr. **Delfico**. I think on one level our experience has been that in States that haven't integrated their services, the client is at a great disadvantage. I would suspect you would find a strong correlation between the lack of integrated service delivery and eligibles not receiving benefits in those States, compared to States that do have integrated services. I think the topic of this hearing focuses on one reason why people in States don't get all the services. Second is outreach. You can't outreach to client groups that you don't have contact with.

One of the provisions that we looked at in the pending legislation and that some of the States, 23 of them, have now put in place is this concept referred to as a single case manager: one person who assesses needs and is concerned about a client's total needs. That concept has merit in dealing with the problems that you are talking about. If one person can deal with a client, look at their needs, make that client aware of the services available and then help the client get them, then I think you will see an increase in client access to benefit programs.

Mr. **Emerson**. In that regard, is there any obstacle structurally in the law that would prevent the involvement of private sector organizations in helping us identify people?

Just to give you an example, we have found, both on this committee in some of our field hearings, and on the Nutrition Subcommittee, that some of the most effective delivery of services to those who are most destitute come from church and private voluntary organizations, soup kitchens, for example. They can identify the people who are not on some Government program, people who just come into the soup kitchens. Is there any barrier to their identifying to Government agencies who those people are or helping them to establish some contact? I ask this on the question of the outreach problem.

Mr. **Delfico**. It is a good question, Mr. Emerson.

Some of the States we have spoken to do this on an informal basis. There are linkages between, for example, homeless shelters and outlets for Federal programs.

Mr. Laurie has worked with the people in Cleveland, in Cuyahoga County, at the local level for years in these outreach programs. Maybe Bill can address that.

Mr. **Emerson**. Interestingly, I think it was the Nutrition Subcommittee that went up there a couple of years ago, to Cleveland, and looked at their food pantry-soup kitchen operation, which was truly outstanding, we thought.

Mr. LAURIE. Yes. This outreach problem has been with us for a long period of time, surfacing as early as 1965. The difficulty is those who fall in the cracks, so to speak, who don't seem to feel as though they are qualified, or won't accept welfare because of the stigma, which is still out there even with the younger generation. I think also there is the individual who just does not want to go through the process of going to many different locations.

In trying to overcome each of these difficult problems in the 10 or 15 cities that I have worked with over the years, one success has been through the Nutrition Program. It has been able to get out the message of the kinds of welfare services that are available. Because many of your great cities have extensive nutrition programs, they are a great means of getting the word out.

A second success is, at least from what I have found, in the philanthropies such as the Rockefeller Foundation and some of the work done by the Cleveland Foundation.

A third way in which we have been able to reach out and find the population that hasn't been receiving welfare, which has been perhaps the most effective, has been through the diocese and the synagogues, and so forth, that make known what social services are there not only for their own people but for others in the city. The reason is, they have a central coordinating body in which they can coordinate and force the coordination, so to speak, and are able to get this out to their people. So they are able to pick up those that are in their own congregations that fall through the cracks mainly because they don't know where to go.

In another study that we did, we found at least 60 different agencies out of 130 in Cleveland, for example, which provide information and referral. The question we raised was: Why do we need 60 different agencies to provide information and referral and yet we are losing people that are qualified but not getting on welfare.

What we are finding is that individual agencies focus on services for a target population, so they design their information and referral toward a specific group of people. Consequently, by creating agencies responsible for specific programs, we have created many little different target populations.

So it is a very complex question you have raised, and it is very difficult to get the message out to the people, but at least we are far more effective than we were 10 years ago in at least getting the information out, but we still miss, in the latest estimate I have seen, about 10 percent of the population who could be on welfare if they but knew that service was there.

Mr. EMERSON. What about the rural areas, as opposed to urban areas?

Mr. LAURIE. In the rural areas it is somewhat different. I was trying to recollect a couple of studies that we did in the rural areas. What you have there is that the service information gets out through little local communities. In essence, there is a lot more communication going on in a rural atmosphere, mainly because they are so dispersed, they tend to network and tend to keep information going. So in a small town, for example, they might have two case workers or a case worker that knows the population, so that they are able to get the word out by their own means. I guess they are more parochial, so to speak.

Mr. EMERSON. That has been my observation. I think the complexity of the problem is not as great in rural areas as it is in urban areas. There is just something about the network in rural areas where, if a neighbor is in trouble, that is identified. They go to the Ministerial Alliance or a local service club or a local welfare agency, but in the cities it is different.

I read the other day in some urban area—I forget where it was—that someone had been dead for 6 months in their apartment before anyone had discovered them. Finally, the mail had stacked up so high they couldn't get any more mail in the door. You know, it is out there, but it seems that in the urban areas there is not the watchfulness that there is in the country.

Mr. LAURIE. That is true.

Mr. EMERSON. I thank you for your outstanding testimony. I really think you have helped us begin to focus on where we need to be focusing. At least now we have the data that perhaps we can begin to act on.

I would like also, Mr. Chairman, if I may, to reserve the right to submit some questions in writing. I think that after we have had the opportunity fully to digest your testimony we will have a lot more questions that we will want to be asking. Maybe we will want to have a meeting with you at some point after we have all had a chance to digest it.

Mr. ESPY. Without objection.

Mr. Gilman, would you care to ask questions of the panel?

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Delfico, in reviewing the possibility of integration and coordination do you find any increased costs in tackling this reform?

Mr. DELFICO. The costs that we have noted would be primarily benefit cost increases. In theory and in practice, I think it has been shown that you can save administrative costs through integration.

Mr. GILMAN. What percentage of the total program are administrative costs, and what percentage are benefit costs?

Mr. DELFICO. They range by State and by program. To give you an example, on the low end, administrative costs for the Social Security Program are about 3 percent. For some welfare programs, I think they go up to about 10 percent, but it is in that range.

A study we did looked into integration in the State of Illinois. To give you an example of the savings on the administrative side versus the benefit cost increases, there were savings of about $3 million in a year for administrative costs by integrating food stamps and AFDC. There was an increase in benefit costs because of a "hold harmless" provision in the demonstration of $19 million. So there is a factor of 6 in there. So if anything is being done with a "hold harmless" provision, I think you will probably see an increase in costs.

Mr. GILMAN. So essentially, by reforming we are adding a great deal of benefit costs as long as the "hold harmless" is——

Mr. DELFICO. That would be something to really consider in integrating services. If you are going to hold harmless, then that may happen. On other alternatives, budget neutral alternatives, obviously, that wouldn't happen.

Mr. GILMAN. What would you replace the "hold harmless" with to protect the current beneficiaries?

Mr. DELFICO. Taking a look at options, there aren't any to protect the current beneficiaries except "hold harmless". I think the "hold harmless" provision just essentially does that.

Mr. GILMAN. Practically speaking then, how do you bring about this kind of reform if you are not going to provide some "hold harmless"?

Mr. DELFICO. Practically speaking, if you were to not hurt beneficiaries, I can't see another way other than that, that will have a "hold harmless" provision.

Mr. GILMAN. What sort of impact on the beneficiaries would you have by not having a "hold harmless" clause?

Mr. DELFICO. Well, if you didn't and you made it budget neutral, you would have benefits reduced to some beneficiaries and beneficiary groups, and some may not be eligible for benefits.

Mr. GILMAN. Would that be a significant number?

Mr. DELFICO. It depends on the program. We haven't run those calculations, and that would be a massive undertaking at this stage in the game, but I would suspect that would be a significant number, just off the top of my head.

Mr. GILMAN. And a significant reduction in benefits?

Mr. BRIER. I think in the case of Illinois, in the simplified application project we were talking about an increase of $128 per year per household.

Mr. GILMAN. Would be the reduction in benefits?

Mr. BRIER. That was the estimated benefit increase from holding recipients harmless.

Mr. GILMAN. And what about the number that would be eliminated from the rolls? No idea?

Mr. BRIER. We don't have numbers on that, no.

Mr. GILMAN. Is there any way of doing a demonstration or taking a spot check of the pilot to determine just how severe the reduction is and how extensive it would be? It would seem to me we would have to undertake that before we started doing any reform.

Mr. DELFICO. You may be able to do that analytically without running a demonstration program—at least you would get a gross figure—to get what you are getting at. The data in 1984, the demonstration study that was done, I don't think is available at that level.

Mr. GILMAN. How do the States feel about this integration program? Have you had an opportunity to poll them and see what their thinking is?

Mr. DELFICO. They, by and large, in responding to our questionnaire, were in favor of demonstration programs. They felt that they helped, they helped reduce costs, but they have obstacles, and those obstacles are basically the need to change program rules, which is something they can't do. Obstacles to further integration would mean simplifying programs.

There are a number of States that haven't fully integrated yet. I think there are 23 States in our sample that have fully integrated three programs for four kinds of integrations, which is about the maximum they can do. The remainder of the States have not. So there is something that can be done out there as far as further integration is concerned.

Mr. GILMAN. Have those 27 States worked out quite well? Have they had a successful integration program?

Mr. DELFICO. From our view, the programs are rather successful, yes, as compared to not integrating.

One point I would like to make, Mr. Gilman, is that we are focusing on integrating the current core programs on the books today. What you are going to be faced with in the Congress is a new set of programs, as welfare reform legislation is passed, that will have to be integrated with the core programs, and these are much more difficult to integrate. I am talking about education programs, transportation services, child care services, and that is a whole new ball game. We probably won't see any effect of that until the welfare reform is integrated, but the integration problem is not going to go away, it is going to be made more complex.

Mr. GILMAN. Thank you.

Thank you, Mr. Chairman.

Mr. ESPY. Thank you, Mr. Gilman.

I just have one more question for Mr. Delfico.

Has the GAO yet had an opportunity to review the ideas and the policies promoted by the National Governors Association and the American Public Welfare Association on how we can achieve a greater degree of simplification and coordination?

Mr. DELFICO. We have reviewed their proposals.

Mr. ESPY. Do you have an opinion on their ideas?

Mr. DELFICO. I think they are a good step forward, and they have done a lot of thinking in that area. My one caution would be that most of those proposals, again, as I mentioned to Mr. Gilman, would raise benefit costs quite sizably, and that is something you would have to deal with.

Mr. EMERSON. Could I ask one more question, Mr. Chairman?

Mr. ESPY. Sure.

Mr. EMERSON. Piggy-backing on Mr. Gilman's question about additional costs, might it not also, on the other side of the coin, be in prospect down the road that if we could ever overcome the turf problem and simplify the bureaucracy that is necessary to administer all of these diverse programs, that there could be considerable cost savings involved there? You may need more case workers, but you wouldn't perhaps need a different sustaining apparatus for every program.

Mr. DELFICO. That has quite a bit of merit. If you take a look at some of the quality control programs among AFDC, food stamps, Medicaid, and so forth, they are different. They cost a lot to run at the State level. The reporting requirements for each program pose a burden. If we could somehow consolidate and reduce that, I think there could be some cost savings.

I would like to make another point. I didn't want to overemphasize the fact that integrating services was going to cost money. I think you can integrate services without costing money if you are efficient in designing that integration mechanism. That is a point that I think we could all work on.

Mr. EMERSON. Welfare, it seems to me, for most people, should be a temporary thing. I think we are looking at the need for job training and remedial education and what-have-you as a component of the welfare system, but I think our bottom line thrust ought to be to move people ultimately out of the system.

I think we can look at ultimate cost savings there too if we can ever figure out the way to break the dependency cycle. That has been, in our history, a very elusive thing, but I don't think we are ever going to stop trying to come to grips with it. So hopefully we can improve.

Mr. **Espy**. Thank you.

We would like to conclude the second panel and thank the witnesses for their appearance and for their testimony.

Mr. **Delfico**. Thank you, Mr. Chairman.

Mr. **Brier**. Thank you very much.

Mr. **Espy**. We now move to the third and final panel. I would like to introduce our panel: Ms. Sandra Gardebring and Ms. Gale Lucas. Ms. Gardebring is the commissioner of the Minnesota Department of Human Services, a position she has held since December 1986. She is also a member of the American Public Welfare Association's National Council of State Human Service Administrators. Ms. Lucas has been an economic service worker with the West Virginia Department of Human Services for the past 11 years. In this position, she works directly with individuals applying for benefits under the Food Stamp, Aid to Families with Dependent Children, Emergency Assistance, Medicaid, and a host of other public assistance programs. Ms. Lucas is also an active member of the National Eligibility Workers Association.

Commissioner Gardebring, we thank you for your appearance this morning, you may proceed.

## STATEMENT OF SANDRA GARDEBRING, COMMISSIONER, DEPARTMENT OF HUMAN SERVICES, STATE OF MINNESOTA, ACCOMPANIED BY JOHN PETRABORG, ASSISTANT COMMISSIONER, FAMILY SUPPORT PROGRAMS

Ms. **Gardebring**. Mr. Chairman, thank you very much.

I am Sandra Gardebring, the commissioner of the Department of Human Services in the State of Minnesota, and with me today is John Petraborg, assistant commissioner with responsibility for all of our income maintenance programs.

I am happy to have the chance to address you today on behalf of the American Public Welfare Association and particularly on behalf of my colleagues in the National Council of State Human Service Administrators, to discuss an issue which we find of critical importance, and I think many of our points have been made during your previous testimony, so I am going to summarize.

First of all, I would like to commend you and other members of the committee for the continuing leadership that you have provided on this issue. It is a critical one to all of us who are interested generally on the question of welfare reform in this country.

My comments today are going to be addressed in particular to the current inconsistencies and idiosyncrasies in the programs we administer, focusing particularly on the AFDC and Food Stamp Programs. I would like to tell you a little bit about what we have done in Minnesota to try to come to terms with these inconsistencies in order to provide better service, and I am submitting for your review recommendations that have been developed by State human service administrators for legislative changes that we feel are necessary which were also identified by your witness from the GAO.

Our organization, the APWA, and the State Human Service Commissioners worked over the last 2 years on a more comprehensive recommendation to essentially redesign the Nation's social welfare program, our so-called matter of commitment project. That report was issued last year recommending action at all levels of Government and also in the private sector to try to assure that welfare reform proposals were implemented.

As a tool in that effort, we conducted a survey of State welfare commissioners asking what they considered to be the most significant barriers to improving agency administration and agency effectiveness in delivering services. Certainly among those identified were issues that you would well understand: negative public perceptions of welfare programs and the limited resources that are available. But we also indicated quite clearly amongst a number of States that a significant barrier to efficiency was program complexity, in particular, the inconsistency among the regulations that we must use to administer the major benefit programs and amongst those, in particular, food stamps and AFDC.

We cited, and we include in our report which we have submitted to you, the patchwork of categorical programs and what appears to us to be rapid changes in regulations that have seemed at some times to be almost capricious: too many changes too frequently for us to adequately absorb into our administrative structure.

As you know, the vast majority of low-income households that receive AFDC benefits also participate in the Food Stamp Program, and, as some of your members commented earlier, one would think that would lead to a decent approach to consistency. However, to deliver benefits to those families, State and local agencies must follow different and often contradictory Federal requirements for each program, and, again, you received a list of those from the GAO report.

As an example, the definition of need is quite different in each program, the basic fundamental criterion that we used to absorb people into the system, and in agencies with so-called generic financial workers—that is, those who have the responsibility for intake, for evaluating, for administering all of the programs—the workers must obtain the same client information and then evaluate that information against a host of different eligibility criteria which we have made available to them through our manuals and regulations. As an example, for AFDC certain relatives are considered to be part of the AFDC household. The Food Stamp Program uses different relatives as well as different food purchasing and cooking arrangements to determine who is part of the eligibility household.

Other agencies that have workers that specialize in only one of the programs have the difficulty of trying to send those applicants from one worker to another, which we think is a significant disincentive and a significant barrier to people obtaining the benefits that they deserve.

The complexibility of the eligibility determinations and the constantly changing Federal policies and regulations that govern them have made the task of the eligibility workers far more difficult than it should be, and, of course, more fundamentally, we have created a process that we think can and often does overwhelm and intimidate our clients, again, a barrier to their receiving the benefits.

In Minnesota, as in really many other States, we have attempted to work within the existing regulatory structure to minimize and compensate for the conflicts between the programs through a variety of administrative mechanisms and policy changes. We have, for example, developed what we think is a very simplified case aid, a desk aid, that we have provided to all of the workers in our county offices to try to highlight major program differences in order to alert workers to areas where errors can occur, because we are trying to constantly balance the need to put people into these programs with the quality control sanctions that I think you hear about in some of your other committees.

In addition, in Minnesota we have recently implemented a policy on the treatment of educational income in the AFDC Program so that the treatment is similar to the process followed in the Food Stamp Program, thereby reducing the inconsistency, and I think you will find from the GAO materials that Minnesota, like most other States, has tried to work to the maximum extent possible to eliminate inconsistencies within the existing regulatory framework.

The really significant changes, however, that we think need to occur in the coordination of the AFDC and Food Stamp Program policies must be addressed by Congress, and, again, we are happy to have the chance to talk to you about this today. The Federal agencies, as you heard earlier, have made several attempts to coordinate policies, but so far these efforts have not resulted in any meaningful change, I think have not resulted in a level of consistency that is really very helpful.

We haven't had a chance to review the regulations that were issued by Mr. Stanton and Mr. Bode yesterday. We have looked at them only very briefly, but, again, our sense is that what they have attempted to do is a very minimal effort, and most of the changes that need to be done probably need to be addressed at the congressional level.

Before I turn to some of the specific changes that we would like to recommend to you, I want to point out to you that the State administrators, my colleagues, continue to believe that the best means of service coordination is the comprehensive reform offered by our matter of commitment project; we call it the family living standard. That recommendation included in our report, which has since been endorsed by the National Governors Association, would consolidate the AFDC, Food Stamp, and LIHEAP Programs to better focus our resources on the needs of the client. It is a client-based evaluation rather than a program and procedural based evaluation.

We would recommend that a national methodology be developed for specific benefit levels, and families would be then eligible for one benefit payment addressed to their specific needs rather than trying to fit them into a number of individual categorical programs.

We are pleased that a number of your colleagues on the Ways and Means Committee have received these proposals favorably, but we think that that effort needs to continue, and we think that what is needed is a legislative change that addresses all of the programs that you have on your agenda as well as several others.

Let me turn to some specific recommendations on program consolidation and simplification that were developed by my colleagues, as I indicated, during a study some 18 months ago. We created a nationally representative task force to examine simplification and coordination of the AFDC and Food Stamp Programs, and after conducting extensive surveys among both State and local officials we developed a comprehensive list of legislative and regulatory recommendations. Those recommendations were endorsed by the National Council of State Administrators, the National Council of Local Public Welfare Administrators, and, again, the National Governors Association, and our recommendations have been submitted to you in writing as well as shared with the Ways and Means Public Assistance Subcommittee and the Agriculture Domestic Marketing, Consumer Relations, and Nutrition Subcommittee.

As we attempted to develop those recommendations we had three goals in mind that I think are quite consistent with some of the comments I have heard earlier. First, we were attempting to recommend a system that would replace complex and sometimes contradictory policies with a streamlined and coordinated set of policies to reduce barriers to individual participation; second, we hoped to develop a system that would coordinate and simplify the programs to reduce the administrative burdens to State and local agencies that occur when we maintain separate policies and procedures for programs serving overlapping clients; and, third, we intended to provide a clearer, more coherent program basis for people to move toward self-sufficiency, which, of course, as you commented, Mr. Emerson, is the basic objective of all these programs.

Our proposed legislative changes would address a number of the areas that were identified as major problems in the GAO report, including specifically the treatment of income and resources, the exemption of child support payments, the implementation of policy changes, the requirements for verification which differ significantly, and the coordination of employment and training efforts, and I have submitted to you a copy of those specific recommendations.

We would acknowledge, as was mentioned by Mr. Stanton earlier today, that a number of program differences must occur, because we are, within the two—AFDC, Food Stamp Programs, attempting to serve somewhat different circumstances and populations. However, we think it is quite clear from our work at the State and local levels—and I think your own GAO report endorses this notion—that many program improvements can be made without sacrificing responsiveness that will clearly enable administrators to provide better service to clients.

Mr. Chairman, we thank you for the opportunity to appear today, and we would, of course, be happy to respond to questions.

[The prepared statement of Ms. Gardebring appears at the conclusion of the hearing, see p. 90.]

Mr. Espy. Thank you for your testimony. We will reserve the questions until we hear from the second participant, Ms. Lucas.

Ms. Lucas, you may proceed.

## STATEMENT OF GALE LUCAS, ECONOMIC SERVICE WORKER, WEST VIRGINIA DEPARTMENT OF HUMAN SERVICES, ON BEHALF OF THE NATIONAL ELIGIBILITY WORKERS ASSOCIATION [NEW]

Ms. Lucas. Thank you.

Mr. Chairman and members of the committee, on behalf of the board of directors of the National Eligibility Workers Association I would like to thank you for the opportunity to speak on obstacles to welfare simplification. I am Gale Lucas, and I have been an economic service worker with the West Virginia Department of Human Services for over 11 years. I am also a member of the board of directors of NEW, on whose behalf I am testifying today.

In the State of West Virginia, the majority of economic service workers are generic. By generic, I mean we are responsible for applying policies and the programs of Aid to Families with Dependent Children, Aid to Families with Dependent Children Unemployed, food stamps, medical assistance only, the Low-Income Energy Assistance Program, the Homeless Program, and the State-administered programs of general assistance for disabled adults, emergency assistance, Transportation Remuneration Incentive Program, Telassistance, and the application for and distribution of commodities. As generic workers, we have a first-hand knowledge of how difficult it has become to keep the various eligibility requirements of each program in perspective and applied properly.

Due to the limited time, I have brought copies of manual materials covering three areas that demonstrate the problems workers are encountering. The first example, labeled exhibit A, concerns food stamp household composition; it has been mentioned before. In our manual, it is eight pages long. In the beginning, it does not look too difficult. Anyone who customarily buys and prepares food together is considered a household. It also says that parents and children in the same household will be considered as one household, regardless of the actual eating arrangements, unless someone is disabled or aged, or aged and disabled. What happens then is, the worker must figure out which of three ways the income is to be computed and the household is to be determined.

NEW has supported a definition of household for food stamps that says anyone living under one roof would be considered one budget group. There would be two allotment tables, with the higher allotments going to the household that has an elderly or disabled individual in it. This could easily fit into West Virginia's current automated system of calculations.

Along the same line, please refer to exhibit B. This is the Deficit Reduction Act of 1984, or DEFRA. You will note that this is a memorandum, and it is dated October 5, 1984. We have had 89 manual changes, some of them major, yet DEFRA is not included in the manual. Why isn't it? Because it is not finalized yet. What we have is an 1,800-page manual, much of which has been replaced since October of 1984 that is superseded by this 13-page memo.

The last exhibit is a very recent change and is marked simply advance, because I got it the day before I came down here. What is interesting about it is the fact that we now have two shelter utility maximums. This is a food stamp deduction that shows that Federal regulations just can't make a change. No, there has to be a level used for those cases opened after October 1, 1987, and a different level for those cases opened before October 1. Why? I still haven't figured that one out yet. They are all receiving the same benefits, but they have got to be computed differently.

There seems to be no coordination whatsoever between the two agencies charged with writing the Federal regulations. If these agencies could compromise on related policies, worker frustration levels would drop along with their error rates.

There needs to be something done in the areas of vehicle policy, resource levels, income computation, and assets. Personally, I would like to see legislation changed to bring the Federal match on economic service workers up to the social service level and to see client errors removed from the State error rate. I would also like to see policies, such as DEFRA, that have not been finalized not implemented until they are final. States were threatened with sanctions for not enacting DEFRA promptly, and now the courts are going to decide whether or not the policy is even legal.

If the household composition part of DEFRA is overturned and we have to give retroactive benefits to all of the households we closed or reduced, our State is going to be in financial danger.

I would like to thank the committee for the opportunity to present a worker's perspective and hope something can be done to streamline these programs so the maximum of service for the minimum of errors can take place.

This concludes my testimony, but I would be glad to answer questions on any of these related fields or anything I have mentioned.

[The prepared statement of Ms. Lucas appears at the conclusion of the hearing, see p. 126.]

Mr. ESPY. Thank you. I think we have just a few.

First of all, I would like to ask a similar question to both Ms. Gardebring and you, Ms. Lucas, about the impact of automation on integrating the AFDC and Food Stamp Programs at the State and local level. What impact has been brought to bear?

Ms. GARDEBRING. Mr. Chairman, we are at a somewhat early stage in fully automating our systems in Minnesota. We think that is going to help a lot. We intend to put in place software systems that are going to allow for many of the determinations that are now causing problems at the worker level to be made through an automated system.

I don't think that solves the entire problem, however, but I think that is going to move us forward, and we intend to try to adapt some of the programs that other States have already put in place. It is a partial solution, but it does not get at the fundamental equity differences that occur in the program, and it does not reduce the complexity; it only gives us another tool to deal with the complexity.

Our perspective would be that we ought to try to get at it in a more fundamental way and eliminate some of that complexity to begin with so we can devote our human and our technical resources to some more difficult problems.

Mr. ESPY. Thank you.

Ms. Lucas, do you have a comment?

Ms. LUCAS. Yes. West Virginia at this point in time is fairly well along so far as automation goes. Much of our computations, once the gross amount has been arrived at, are automated and computer done. Our letters, many of them are computer generated, thus relieving us of a clerical duty. I see the enhancement of our automated system as one big tool that will enable us, as generic workers, to do our job better.

We occasionally do have to manually compute benefits for someone for one reason or another, and the ability to enhance retroactive payments or enact retroactive payments would be a great help to line workers.

Mr. ESPY. I see.

Ms. Gardebring, in your testimony you comment on the steps taken in Minnesota to minimize and compensate for conflicts between the food stamp and AFDC Programs. What changes in Minnesota have you made to simplify procedures for program applicants?

Ms. GARDEBRING. As I indicated, Mr. Chairman, we have tried to do a couple of things. First of all, we think that training the workers can go a long way to deal with this problem. We think that there are some things we can put in place without changes in Federal law, either statutory or regulatory, but I think we have gone about as far as we can along those lines.

We are working on, and have been for some time, a consolidated application, and we have moved well along in that process. But because of the differences in eligibility, the differences in factors that have to be taken into account, what we have ended up with simply is one larger and longer application as opposed to two shorter ones, I think. So we have made some progress in that area, but, again, I think that States really have maximized the opportunities available within the existing Federal structure to solve the problem, and now we need some help from you.

Mr. ESPY. Thank you.

I will turn now to Mr. Emerson.

Mr. EMERSON. Thank you both for your excellent testimony.

Commissioner, do you think that the apparatus that is now in place for sharing your concerns about the complexity of the program is adequate? Do you feel that you are heard by agriculture and, to some extent, I suppose, HHS, or do you feel that you and your fellow commissioners in the other States have sufficient input?

Ms. GARDEBRING. Mr. Chairman, Mr. Emerson, that is a hard question to answer. We certainly work through our association, the APWA, and the National Council of State Human Service Administrators. We are happy to be here to testify. I think those of us who believe it is appropriate to be active at the Federal level make our own individual contacts through our own congressional delegations and so on.

My concern is not that we are not having an opportunity to be heard, my concern is that we have waited a very long time for a response on the issue of consistency, and when we have gotten response, frankly, it has fallen far short of our expectations. We believe that the work we did at APWA was very specific in terms of making recommendations about how inconsistencies could be eliminated between food stamp and AFDC. You see that again reflected in the GAO report.

Frankly, I don't believe we need any more analysis. I think we know quite precisely what the problems are. I think States could be helpful to some of the questions earlier on costing out, choosing the AFDC or the food stamp side of some of these alternatives, and we would be happy to do that through the association, if that would be helpful to you.

So, yes, there is opportunity to be heard; yes, we think we have provided good analytic data. We think we know and we think you know at this point what needs to be done. There appears to be either inability or a reluctance to really come to grips with this question in anything more than what I would call a cosmetic way administratively.

Mr. Emerson. Your idea about—I forget what the terminology was that you used, but to addressing an individual's problem in its entirety. Are you suggesting there perhaps some block grant aid to States for this purpose?

Ms. Gardebring. Mr. Chairman, Mr. Emerson, we have proposed in our APWA matter of commitment project something we call the family living standard. It is a consolidation of various programs. It is not exactly a block grant in the sense that the administration has proposed because it does include some nationally established methodologies for determining need and setting levels of payment, and so on.

Frankly, we are concerned about the proposals for the very broad block granting that have come through a number of the administration's discussions. We think that, in practice, what that means is, in the long term certainly and perhaps in the near term, that is a code word for simply cutting down the Federal Government's involvement in this issue. We think that this is a national issue; it needs attention nationally both from a fiscal and from a policy perspective.

So we are looking at something that is similar to that in that it would combine the programs into one payment, but I think we are also looking for some nationally established minimums, policies, and a national commitment to entitlement and to a Federal fiscal component in all of this.

Mr. Emerson. I understand your concern. I wouldn't mean the block grant thing to be a code word necessarily for less commitment on the part of the Federal Government, although I understand that some people do construe it that way. What I am looking for, truly, is more efficient administration that honestly addresses the problems that people have and if this would require better State-Federal cooperation, local cooperation, why do we care?

I agree with you, maybe there shouldn't be less Federal involvement, but to me, as in a lot of areas, it would seem to make greater sense to put the available resources in block grant form to the

States and let them devise their own priorities. We could put in what we put into AFDC and food stamps and housing assistance and other types of assistance. I realize this is not a popular concept right now, but I think it is something we need to look at as an alternative to the current means of addressing the needs of the people, and I think there could be some Federal, some State, some local, perhaps even some private contribution to whatever apparatus was ultimately devised that could simplify it, and deliver more effectively the services that the people need.

Ms. GARDEBRING. Mr. Chairman, Mr. Emerson, it is hard to argue against what you are talking about, and it appeals to me as an administrator in an intuitive sense. If we can combine programs, if we can eliminate some of these very inconsistencies we are talking about here, we ought to be able to better deliver services to people, and I would suggest to you, in spite of some of the concern that States have raised, if that demonstration authority is implemented either through some combination of 1720 and the Moynihan bill or some other vehicle, I think you will see most States will attempt to make use of it to the maximum extent possible.

It does cause us some trepidation because of what it sometimes meant in other circumstances, but certainly we believe that an effort to combine resources to eliminate some of the complications administratively can only go to help us serve the clients, and really that is what our objective is.

Mr. EMERSON. I think we could reduce the bureaucratic costs substantially.

Ms. GARDEBRING. Indeed.

Mr. EMERSON. I am concerned that we may never really get around to addressing the problem in the sense that you and I are sort of talking about here because, as I mentioned earlier with a different panel, there are tremendous turf interests that are to be protected here. Sometimes that stands in the way of solving the problem.

Ms. GARDEBRING. Mr. Chairman, Mr. Emerson, I would agree with you. The other area of coordination which isn't before your committee but which has become an issue, I think, in the Congress is the question of the jobs and training, the employment programs, and the struggles between committees there about who is going to devise that.

If we are going to actively assist families to move toward self-sufficiency, we have to make that link with the labor side, the economic security and the jobs and training side, better than we have historically, and we sometimes are frustrated by the same turf issues that you identify. They certainly occur at the State level too, not only in our legislatures but in the executive branch, in terms of my colleague at the Department of Jobs and Training who, frankly, hasn't had much to do with my department over the last few years. We are trying to bring that together, but obviously the real challenge in this area in many ways is the coordination and the collegial nature of what we do.

Mr. EMERSON. Believe me, we understand your frustration with the complexity. Certainly Chairman Panetta and I have just been through a major turf battle with another committee of Congress over an item that we thought was extremely simple but wound up being the proverbial Federal case.

Mr. Espy. Thank you, Mr. Emerson.

We note the return of the chairman, the distinguished gentleman from California. I want to thank him for allowing me to serve as Chair in his stead, and we would like to turn to him now for any questions he might have of the panel.

Mr. Panetta. Thank you very much.

First of all, I don't disagree with you—it is a legitimate concern—on the block grant approach only because I think it has—at least proposals in the past have smacked of the effort of not only providing block grants for the purpose of continuing benefits but providing block grants for the purposes of gradually reducing the Federal role.

We have, however, on the Washington pilot program, in working with the representatives from the State of Washington, tried to build in as many protections as possible for maintaining the benefit levels so we feel comfortable at least with the approach that Washington is taking. That is why, in developing the pilots that we included in the bill that we reported out of the committee, we basically require those same kinds of requirements. I think that helps at least to ensure that the Federal Government will continue to meet its commitment but, at the same time, that the State can experiment with what makes sense.

Let me ask you something. We have been talking, and it is a great pitch, and Bill and I and others have thought, wouldn't it make sense, this whole idea of one-stop shopping for people who need assistance. If we were to mandate that all services be provided out of one office, what would be the problem with that? What kind of problems would you run into? Is that impossible?

Ms. Gardebring. Mr. Chairman, it is not impossible at all, but simply mandating one-stop shopping in terms of location without doing something to deal with the administrative side isn't going to be of much help. It will help in some counties; it will help in some instances. The real issue tends not to be so much location as it does the inconsistencies and the diversities in the program. But I think that that is the kind of thing that we need to do. I think we need to get to sort of simplify, simplify, simplify as a fundamental principle, and I think whatever you can do along those lines would be helpful.

There will be counties where offices will have to be combined, there will be logistical issues, but I think those things can be overcome, and I think simply the physical presence of people together often does a lot to overcome even antipathies that develop, but don't forget the administrative complexity when you focus on that sort of location logistical piece.

Mr. Panetta. I understand the problem. I think you are right. The problem we see is that when you look at some of the labor and training stuff and then you look at what else is being done, there are people that don't talk to each other.

Ms. Gardebring. That is right.

Mr. Panetta. So what you wind up doing is scooting these people from one office to another. At least if you had a central location, not only would the bureaucracies be talking to each other but also the person there would then know that that place is the one place where, if there are any benefits or if there are any services, that is the place to get them.

Ms. GARDEBRING. Mr. Chairman, in Minnesota we are trying to do two things along those lines. We are working very aggressively toward co-location of our economic security types and our welfare types in one place and in our largest county, Hennepin County, we are very quickly moving toward that. So I think that is one thing that we are trying to do within the existing administrative structure. .

Second, we are trying to put in place, and have gotten good cooperation from the Federal agencies, a joint economic security/unemployment computer system with our own system for AFDC, for the income maintenance programs. We have had to get some Federal officials to talk to each other about funding mechanisms, so we think our effort has actually encouraged some cooperation between Labor Department officials and HHS officials on some of those information system questions.

So, believe me, whatever mechanisms that we think are available we are trying to put in place, because we know those linkages are critical to the success of the clients.

Mr. PANETTA. I recognize the administrative and the turf problems. We see them in the Congress between committees and I think it is probably multiplied that much more by the time it finally gets to the States and out to the counties and then finally to the people. You have just doubled the amount of jurisdictions, and turfs, in everybody else's power game that is played in this area. Somehow we need to slice through that, and I know the problem you have is that people have jobs, and commitments, and yet in the end, as I said, we have created this maze and we have forgotten the person at the other end; that is the problem. We have created the maze, forgotten what it means to the person at the other end, and suddenly the person at the other end becomes more a pawn than somebody who is being served by the system.

Let me ask Ms. Lucas something. We always have this incredible problem of having to revisit the error rate system, this whole issue of sanctions, whether or not we are going to apply them, when we are going to apply them, and whether we are going to postpone them. Let me ask you your view with regard to the error rate system as it now exists and how it relates to your ability to do the job. Can you do both? Is it something that is possible to do?

Ms. LUCAS. As generic workers, you were talking about the one-stop shopping; we do have it. Because of the numbers of programs that we work with, we are constantly fighting the battle of keeping the error rates within the tolerance levels. We have lost some of the battles, but we are holding fast in others.

The error rate can serve as a very demoralizing agent for a worker in West Virginia. Perhaps the greatest part of it is something I alluded to before, the accounting of client error in the error rate. Workers take great pride in knowing their policies. When we make an error in that policy we are willing to accept the fact that we have not applied it properly. But to watch our error rate which we just had training on here 2 days ago go above the tolerance level and in 50 percent or better of the cases—actually, better than

50 percent were client error rates. We are above tolerance. We have the possibility of being sanctioned. It is extremely demoralizing to think that because of something I was not told we are going to lose administrative moneys which will hinder our ability to hire the personnel that it needs to do the job that we are required to do, thus increasing the errors. It becomes a vicious cycle.

I would like to comment on the one-stop shopping concept. It serves in some instances as the kind of heir apparent of the now defunct Outreach Program in food stamps. What we have found is, our clients, being basically rural, seek each other out knowing that they are not eligible for one program but that they are eligible for the other and bringing a number of people into the office at one time.

One of our rural counties has a gentleman who is making a rather lucrative business of charging people $22 round trip into the office so that they can apply for benefits. So it is a money-making deal.

The loss of Outreach was a very staggering one in our State. Many people, with the changes in policies and all, who are eligible no longer know the requirements and the possibility of benefits for them. When we lost Outreach for food stamp purposes, we lost a great benefit for the clients.

Mr. PANETTA. Yes. Thank you.

Mr. ESPY. Would any of the members care to make a closing statement of any kind?

Mr. Emerson.

Mr. EMERSON. Just to thank the witnesses for their fine testimony.

Mr. ESPY. Mr. Panetta.

Mr. PANETTA. I want to thank all the witnesses that appeared this morning for their testimony. I will ask unanimous consent that the record be kept open for 10 days for those that wish to submit additional testimony.

Mr. ESPY. Without objection, it is so ordered.

Mr. PANETTA. And I thank Mike Espy for covering for me while I was at the Merchant Marine and Fisheries Committee. Thank you.

Mr. ESPY. I am glad to do it.

I would just like to echo the sentiments of the other members in expressing my appreciation for all those who appeared. I appreciate your patience in waiting so long until you had an opportunity to make your presentations. I appreciate your being here.

Hopefully, through the testimony and suggestions of those in attendance we can establish a unified system to coordinate and simplify procedures that will maximize delivery to participants of human service programs.

Thank you all, and with that we would like to call this hearing to a close.

[Whereupon, at 12:00 noon, the task force was adjourned.]

[Material submitted for inclusion in the record follows:]

## PREPARED STATEMENT OF HON. FREDERICK S. UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Thank you, Mr. Chairman. I'd like to express my sincere interest and support for the topic of today's hearing and commend the Chairman and Vice Chairman for their dedication to addressing this vital issue.

Welfare reform is the subject of intense debate in this Congress. Yet before we decide on the proper course of action to pursue, a detailed analysis of the nuts and bolts of these existing government assistance programs is essential. We need to run these programs adequately and efficiently. Frankly, we have fallen short in this area.

There are many federal programs available to low-income people. However, despite this broad network of services, far too many people fall through the cracks and their basic human needs go unmet. It is incumbent upon us to carefully study the reason for these occurrences. There are many who believe that this failure may be the result of insufficient resources. Others believe that many are not aware of the welfare benefits available and that this ultimately leads to lower program participation. Still others comment that applicants are often bounced from one place to another and experience confusion and discouragement. After what seems like an endless amount of paperwork and frustration --some simply give up. It is our responsibility to take action to improve this situation.

We have created a tremendously cumbersome bureaucracy for providing these services to low-income people. While there are many dedicated government employees -- we also have many ineffective paper pushers. There is insufficient coordination and cohesiveness between the vast array of government assistance programs. Though these programs do provide the basic means of subsistence to many of our nation's needy -- the system that delivers these programs is full of waste and duplication of efforts.

Today's hearing is an essential part of Congressional examination of the accessibility and effectiveness of our government assistance programs. Specifically, could the several stops some low-income persons make in seeking government benefits be condensed into one stop, one application? This could save everyone time, money, and aggravation.

It is my hope that these hearings will be an important first step toward streamlining government assistance programs. Our ultimate goal, of course, is to remove the necessity for these programs in the first place. But, until we reach the point where such an extensive array of assistance programs is not required, it is imperative to provide for the most efficient and productive programs possible.

I am optimistic that these hearings can result in better use of taxpayers dollars and better service to the needy. We must continue to be responsive to the vital needs of the poor, while diligently working to improve the administration of the programs which serve them.

## PREPARED STATEMENT OF WAYNE A. STANTON, ADMINISTRATOR, FAMILY SUPPORT ADMINISTRATION. U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

I am pleased to appear today to discuss the vitally important topic of improving coordination among public assistance programs.

Secretary Bowen shares this objective. In fact, it was his commitment to improved program coordination that led to the creation of the Family Support Administration (FSA), which I administer. FSA brings together six programs that assist families--Aid to Families with Dependent Children (AFDC), Child Support Enforcement, Community Services Block Grants, Low Income Home Energy Assistance, the Work Incentive Program, and Refugee Resettlement--into one agency.

For the Federal government, this means improved administrative efficiency, and, even more importantly, the opportunity to coordinate programs to achieve common goals. For States, it means a single point of contact for all of these programs--and, therefore, a single voice to respond to questions and requests for guidance. That, in turn, means greater administrative efficiency and the ability to be more responsive to families in need.

I'd like to illustrate my point by talking about a program you may be surprised to see in a list of assistance programs--the Child Support Enforcement program. This is a program for all

American families with an absent parent. But, more specifically, it serves as a critical element to the success of our network of public assistance programs.

About 90 percent of the children eligible for AFDC are there because of a living parent's absence from the home -- either as a result of divorce, desertion, legal separation, or out-of-wedlock births. About half of these children have parents that have never been married. In 1986, only 8.6 percent of AFDC payments were recovered through child support collections. Last year, paternity establishment--the first stage in obtaining child support for the child born out-of-wedlock--was accomplished for approximately 194,000 AFDC children. This is grossly inadequate, given that approximately 890,000 of the children who came on AFDC in 1986 and 3.5 million of the children who were on AFDC that year had parents who were not married at the time of the child's birth.

Therefore, a reassertion of the legal and moral responsibility of parents to acknowledge paternity and support their children is an essential and vital part of the solution to the welfare dependency problem. And we are working to achieve our goal of strengthening the child support enforcement system.

Improved child support enforcement means that absent parents can't walk away from their obligations to their children. That's good for the children who receive the support--not just because of the financial support provided--but also because regular support payments can strengthen the ties between parent and child, and becoming self-sufficient benefits everyone in the family. And it's certainly good for the taxpayers because, to the extent that parents provide support for their children, assistance resources can be redirected to meet other needs.

By bringing child support into the same administrative system as AFDC and other assistance programs, we are making progress toward the goals we all share: providing for families in need and helping those families become self-sufficient.

Creating FSA was only one step toward solving the overall problems of our complex welfare system. That's because the programs under FSA's jurisdiction are only a small part of this system.

A recent White House Domestic Policy Council Low-Income Working Group identified 59 major public assistance programs. These programs cost Federal and State governments more than $132 billion per year, take up more than 6,000 pages of Federal laws and regulations, are managed by eight Federal departments, and are overseen by a score of Congressional committees. This massive, interrelated structure is further complicated by the fact that many of these programs have grown quite rapidly.

Look at the extent to which AFDC and Food Stamps alone have grown in recent years. AFDC began in 1936 as a program primarily directed toward widows and orphans. It now pays over $16 billion to 3.7 million families. Costs of the program have doubled in less than 15 years. The Food Stamp program began as a commodity program and has grown into a $12.5 billion food voucher program serving 7.1 million households.

These two programs serve many of the same families, and much of the information required to establish eligibility for the two programs is the same. Because of these similarities, one might assume that the programs would be largely compatible, with only a few inconsistencies. Certainly, that's what the States have called for repeatedly, since the same State agency--and even the same local workers--usually administer the two programs.

However, AFDC and Food Stamps have different goals, and are governed by different statutes. They are handled by different congressional committees and administered by different Federal departments. As a result, differences in program requirements are inevitable. Yet, we have to be concerned that regulatory requirements do not introduce more inconsistency than is necessary between the two programs.

Over the years, both the Department of Agriculture and the Department of Health and Human Services have recognized the need to bring about increased consistency to the two programs by eliminating unnecessary differences in the programs. Both Departments have worked to keep lines of communication open and to ensure uniform policies where possible in newly-legislated areas, such as monthly reporting and work program requirements.

For example, in the Deficit Reduction Act of 1984, Congress authorized the Secretary of HHS to grant waivers to States in order to make monthly reporting and retrospective budgeting requirements consistent with Food Stamp requirements. Eight States applied for and received such waivers.

Over the past few years, AFDC and Food Stamp staff have met periodically in both informal situations and structured conferences and committee settings. For example, in 1985, AFDC and Food Stamps joined forces to hold a major national conference for top program administrators from the States. Subjects discussed at the conference ranged from work programs to automated data processing systems to error rate reduction --with a major emphasis on coordinating our efforts.

Additionally, an interagency AFDC/Food Stamp Work Group was established in early 1985 to address the issue of improving consistency. A Notice of Intent to Develop Regulations (NOI) was published in February of that year. The NOI solicited comments and recommendations on ways HHS and the Department of Agriculture could improve consistency between the programs within existing statutes.

Response to the NOI was tremendous, indicative of the concerns of the States in this area. We received more than 100 comments, including many recommendations directed at the Food Stamp program. A number would require legislative action to bring about consistency, and many others could be implemented by States without either legislative or regulatory change. The Work Group convened to develop a Notice of Proposed Rulemaking (NPRM) to address those issues which could be resolved by regulatory change. The group's work was delayed by passage in 1986 of new Food Stamp legislation.

However, just last week, Secretary Bowen and Secretary Lyng signed the NPRM, which was published in the Federal Register on September 29. The NPRM includes 23 changes addressing regulatory consistency between the programs. Provisions relate to administrative procedures and to ways in which various types of income and resources are treated under both programs. For example, in the AFDC program, we propose to allow more flexibility in meeting the requirement to provide a Social Security number. Under current AFDC rules, individuals are not considered to have applied for a Social Security number until all documentation needed to complete the application is provided. Under the proposed rule, individuals could be eligible for AFDC for up to 4 months if they have a special problem obtaining documentation and thus have good cause for failing to complete their applications. This change to the AFDC rules would provide consistency with current Food Stamp procedures and would simplify administration of the two programs.

However, most of the major differences between the two programs remain rooted in the statutes. Therefore, under regulations, we cannot address the major problems that complicate administration of assistance programs today.

In order to accomplish this task, the President has proposed the Low-Income Opportunity Improvement Act of 1987 (H.R. 1288). This bill would authorize the waiver of certain rules and requirements in Federal poverty programs in order to promote demonstrations of innovative solutions to the problem of welfare dependency. This legislation addresses the much larger problem of overlap and inconsistency among the dozens of public assistance programs by providing State and local governments with the opportunity to operate outside of normal program rules and to develop creative solutions to systemic problems. We can learn considerably more about what works at the State and local level because we will have sound evaluations of these innovative projects.

I firmly believe that if this legislation were enacted, we would soon begin to see solutions that not only would solve the problem of inconsistencies between AFDC and Food Stamps, but also would show the way toward much-needed reform of our entire social welfare system. Then we will be in a much better position to propose statutory changes that will positively impact on the welfare system as a whole.

## RESPONSES TO QUESTIONS FOR WAYNE A. STANTON

### QUESTIONS SUBMITTED BY HON. MICKEY LELAND

*Question.* What specific legislative recommendations would you offer the Congress for changing statutes to improve consistency in the AFDC and Food Stamp Programs?

Answer. For the time being, we are not offering any specific legislative recommendations for improving consistency in the AFDC and Food Stamp Programs. Based upon recommendations from the Domestic Policy Council, the President decided to take the broadest possible view of welfare simplication and to authorize sweeping demonstration projects in this area. The Low-Income Opportunity Improvement Act of 1987, submitted last spring to the Congress for consideration, would allow States and communities to test a wide variety of alternatives to the current welfare system. Successful results then would be gradually incorporated into the national welfare system. Therefore, rather than offer piecemeal changes to current law, we decided to wait until a decision was made on this more far-reaching approach to welfare reform.

*Question.* You note that the administration's Low-Income Opportunity Act of 1987 proposes the creation of demonstration projects which would provide innovative solutions to welfare dependency. We have conducted numerous pilot projects without learning positive results and implementing conforming changes in program operation. How would these demonstration projects differ?

Answer. This Department has sponsored research and demonstrations which have had positive outcomes and which have directly influenced program operations. I would like to give just one example of a narrowly defined demonstration in the area of AFDC/Food Stamp compatibility. The Food Stamp/AFDC project in Vermont allowed changes in work expense rules to bring the programs closer together. As expected, program costs rose, but a net savings resulted because of the administrative time saved from what had been a tedious and complex computation of work expenses in the AFDC Program. The results of this demonstration showed that applying a flat work expense deduction is more efficient than documenting each work expense. Subsequently, Congress changed the AFDC statute to establish a $75 per month disgregard of earned income, which is estimated to have saved over $30 million per year since 1981.

Many other projects have shown similar positive results. These have produced greater willingness in the States to emulate programs that have been successful elsewhere or to expand programs from relatively small pilots to involve more and more counties.

Thus, good research and demonstration activities do produce positive results that can inform and direct policy decision-makers. I belive that the broad demonstrations called for in the Low-Income Opportunity Act of 1987 will be an improvement over earlier, more narrowly focused projects because they will give States greater ease and flexibility to test ideas across program lines.

*Question.* Mr. Stanton, I would be interested in receiving from the Department specific individual examples of how each component of the proposed rules will affect program participants and/or applicants.

Answer. Our response relates to the nine AFDC provisions in the proposed joint AFDC/FS NPRM published September 29. We defer to the Department of Agriculture for any responses regarding the effect of their rule changes on public assistance recipients. Following are the anticipated effects of the proposed AFDC changes:

*Notice of adverse action:* Under the current rule, a State must provide 10 days advance notice before it can terminate a payment unless the recipient states in writing that he or she no longer wants assistance. The proposed change would permit an exemption from the timely notice requirement, terminations of assistance that result from a recipient's voluntary request for case closure in the presence of a caseworker. This change will simplify processing of terminations by welfare caseworkers while continuing to protect recipients in case of a misunderstanding by reinstating assistance if the recipient requests a hearing within 10 days of the mailing of an adequate notice.

*Good cause reinstatement of assistance pending fair hearing:* Under the current rule, States may reinstate assistance pending a hearing, provided that the hearing request is made within 10 days after the date of the adverse action. There is no good cause exception. The proposed change would permit reinstatement of assistance pending a hearing if the recipient has good cause for failing to request a hearing within 10 days after the date of the adverse action.

*Application for a Social Security number:* Currently, as a condition of AFDC eligibility, each applicant or recipient is required to furnish the State or local agency with a Social Security number (SSN) for each person in the AFDC family unit. However, regulations of the Social Security Administration preclude acceptance of an application for an SSN unless it is accompanied by certain specific documents that establish the person's age and identity. The proposed change would permit continued AFDC assistance for up to 4 months if there is good cause for failing to complete an application for an SSN. Good cause will be considered to exist if the applicant or recipient has made every effort he or she can to supply the Social Security Administration with the necessary documentation. This change would benefit applicants/recipients by allowing assistance to continue for a limited period while these individuals take action to obtain an SSN.

*Jointly held resources:* Although not codified, current policy stipulates that whether a jointly owned resource, for example, joint bank account, is available in its entirety to an applicant/recipient must be determined in accordance with applicable State law. However, resources jointly held by SSI and AFDC recipients are prorated among the owners. Under the proposed change, States must consider any jointly held available resource in its entirety unless prohibited by State law even when the resource is jointly held by AFDC/SSI recipients. Some AFDC recipients who reside with SSI beneficiaries may become ineligible. However, this change reflects actual resources available to the individual and is consistent with treatment of such resources under the SSI Program.

*Proration of contractual and self-employment income:* Under the current rule, States may prorate income received on a contractual basis over the period of the contract and income received by farmers or self-employed individuals over the period covered by the income. The proposed rule will permit States to adopt the Food Stamp Program policy, which provides for averaging income over a 12-month period if it represents a household's annual income. This change would permit States to treat contractual and self-employment income consistently for the AFDC and Food Stamp Programs.

*Averaging of interest income:* Current regulations require that under retrospective budgeting, interest must be counted as income in the budget month in which it is received. The proposed rule will permit States to average monthly interest income over a year in determining eligibility and payment. This change will reduce administrative costs of computing payment changes based on small amounts of interest income. For applicants/recipients, this change will mean fewer delays in case processing and a reduction in payment errors.

*Business expense deductions:* Current regulations limit deductions to those business expenses "without which the goods or services could not be produced." The proposed rule specifies which business expenses States may not deduct from gross self-employment income in determining countable income: net losses from prior period; money set aside for retirement purposes; purchase price or payments on principal of loans for equipment or machinery; and Federal, State, or local personal income taxes. This provision clarifies the existing regulation so that self-employment income will be treated consistently under the AFDC and Food Stamp Programs. We do not anticipate any impact on recipients.

*Self-employment income received from boarders:* Although not codified, current policy permits States to designate a flat amount or fixed percentage of "boarder-generated gross income" as the cost of doing business for income received from boarders. Actual costs must be excluded if the applicant or recipient can demonstrate that actual expenses are higher than those determined under the State method. The new rule establishes a ceiling of 75 percent of income derived from boarders as the maximum cost of doing business, unless a higher amount can be documented. We do not anticipate any adverse effects on applicants or recipients.

*Conversion to monthly income:* To convert weekly or monthly income to a monthly figure, a State may only use conversion factors if it applies for a waiver for conformity with food stamps. Under the new rule, the definition of prospective budgeting would be amended so that a best estimate of the individual's income may be derived by multiplying weekly amounts by 4.3 and bi-weekly amounts by 2.15. This change will simplify the income computation process for caseworkers.

## PREPARED STATEMENT OF JOHN W. BODE, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, and Members of the committee, your invitation to testify today concerning improved integration of major public assistance programs is appreciated. The Administration believes that integration and coordination of benefits and services to low-income Americans is an important goal that may be reached in a number of ways.

President Reagan on July 21 announced the creation of a new interagency advisory board dedicated to the Administration's welfare reform initiative. The action is designed to enhance coordination of Federal public assistance programs and policies that now cut across Department lines, and to create a focal point for intergovernmental coordination.

The Chairman of the Board will advise the President with respect to the system of Federal public assistance programs, activities, and related matters, and will recommend to the President policies and guidelines pertaining to public assistance matters for all related programs within the Executive Branch.

America's public assistance system is composed of more than 50 major Federal welfare programs on which Federal and State governments spent more than $132 billion in Fiscal Year 1985. These programs comprise a welfare system that requires over 6,000 pages of Federal law and regulation and is overseen by a score of Congressional committees. It is managed by eight major Federal departments, numerous agencies in the 50 States and territories, and hundreds of thousands of welfare workers. The Census Bureau estimates that more than 52 million Americans benefit from some welfare program during the course of a year.

For a policy-maker, the welfare system is expensive and wasteful. It is so complex that one has difficulty keeping sight of the services and goals of each of its programs. For a recipient, particularly a poorly educated one, it can only be worse. We can no longer afford to view welfare as one or two programs. We must try to see it through the recipient's eyes. For poor families seeking assistance, the multitude of programs, with their excessively complex regulations and vast diversity, leads to confusion and demoralization. Moreover, the many interrelationships between programs make it impossible to isolate the impact of any one program in terms of its effects on a variety of important issues -- poverty, work effort, the family, or the community.

Two broad approaches to dealing with the problem of fragmentation in the welfare system are: (1) efforts to mesh existing programs while leaving them structurally unchanged, for the most part; and (2) fundamental welfare reform, including basic re-structuring of programs.

The first of these approaches, I believe, is the main focus of this hearing. I would like to describe for you current and prospective efforts in the Food Stamp Program which follow this approach. Then, I will comment on the more fundamental changes which might occur under welfare reform, the second approach.

Current Requirements

Under existing law and regulations, there are a number of Food Stamp Program activities intended to improve integration and coordination with other welfare programs. Among them are the following:

1. The Simplified Application/Standardized Benefit Project. In late April of this year, USDA published a Proposed Rule for conducting this project. When comments have been analyzed and a Final Rule published, probably after the beginning of FY 1988, we will be able to accept applications from States. This project provides up to 5 States and up to 5 political subdivisions the option of using AFDC, SSI and/or Medicaid applications and income and resource

definitions in lieu of food stamp policies. The State and local agencies selected to operate these projects will be able to reduce substantially the administrative burden of food stamp benefit calculations for households that are already eligible for other assistance programs.

2. IEVS. In order to implement the Income and Eligibility Verification System (IEVS) required by the 1984 DEFRA, proposed and final rules were published simultaneously and with consistent policy for AFDC, Medicaid and food stamps in all areas affecting State agency operations for this activity.

   FNS staff continues to work closely with staff of the AFDC and Medicaid programs now that the system has become operational. In addition, the staffs of these three programs worked cooperatively in several joint conferences with regional and State staffs about IEVS.

3. Categorical Eligibility. As a result of the enactment of the Food Security Act of 1985, households in which all members receive benefits from AFDC, SSI, or Aid to the Aged, Blind, or Disabled under Title I, X, XIV, or XVI of the Social Security Act are categorically eligible for the Food Stamp Program. Certain nonfinancial restrictions still apply and

categorically-eligible households are subject to the food stamp benefit determination process.

4. Joint Processing. The Food Stamp Program contains a number of joint processing requirements, including the following:

   - A single interview to determine food stamp/AFDC eligibility.
   - Food Stamp Program information and assistance in making a simple application at Social Security offices for households including only SSI applicants or recipients.
   - Food stamp certification of pure SSI households using information in Social Security files.
   - Combined food stamp/AFDC/general assistance application forms for pure AFDC/general assistance households at the option of the State agency.
   - Use of AFDC/general assistance case file information to certify new applicants or recent past recipients of AFDC or general assistance payments for the Food Stamp Program at the option of the State agency.
   - Information about the availability of food stamp benefits and a simple food stamp application for Social Security applicants and recipients at Social Security offices.

5. Alien Verification. As a result of recent immigration legislation (P.L. 99-603), a multi-agency task force was formed to implement new alien verification requirements which affect several entitlement programs. FNS staff have met periodically with the Immigration

and Naturalization Service and the Departments of Labor, Housing and Urban Development, Education and Health and Human Services regarding this implementation. The goals of the task force are:

- To implement the INS "Systematic Alien Verification for Entitlements" (SAVE) program in agencies administering the entitlement programs;
- To promulgate individual Agency regulations regarding alien verification which are consistent with the statute and with the requirements of the other benefit programs;
- To develop policy and training manuals which will be helpful to all user agencies; and
- To coordinate and resolve funding and cost allocation issues at the Federal level.

USDA/DHHS CONFORMANCE PROJECTS

There are several cooperative ventures between USDA and DHHS which aim toward better program coordination.

USDA and HHS regulatory changes are under review to increase consistency between the programs in those areas where differences exist because of regulatory requirements rather than statutory requirements. The proposed changes are being developed following solicitation of needed changes from Federal and State agencies and the public and will be the product of a joint work group of FNS/OFA staff.

In addition, FNS has participated in an interdepartmental work group which has overseen the development of DHHS' one-stop demonstration project. The one-stop project makes a broad range of programs available at a single location.

These are the highlights, Mr. Chairman, of our efforts to integrate and coordinate the Food Stamp Program with other public assistance programs. They fit into the category of meshing existing programs while leaving them structurally unchanged as a means of dealing with the problem of welfare program fragmentation. The other approach, fundamental welfare reform, offers the opportunity to address more directly the impact of public assistance upon recipients and their communities, including consequences for the family and the work ethic. It also opens the door to re-designing welfare programs so that the fragmentation which has developed over time is eliminated.

Now I would like to comment on some possible welfare reform initiatives.

In his State of the Union address in 1986, the President called for an evaluation of the public welfare system and a new strategy to promote "real and lasting emancipation" from welfare. In response to the President's charge, the White House Domestic Policy Council's Low-Income Opportunity Working Group, of which I was a member, made an extensive study of welfare and poverty. The Working Group's report, Up from Dependency, is based on careful analysis as well as discussions with Americans from all walks of life, including current and former welfare recipients, those who deliver public assistance, the nation's governors, government officials, scholars, and many others. The report assesses the welfare system and its successes and failures, describes the frustrations felt by America's poor, and proposes a basic change in public assistance policy. Implementing legislation has now been introduced as the Low-Income Opportunity Improvement Act of 1987, H.R. 1288.

While the Working Group documented in their report the areas where agreement exists concerning what's wrong with the welfare system, it found much less agreement on what to do about welfare. In a few areas, such as work programs for AFDC recipients, demonstrations have been done that provide the basis for enacting important incremental reforms. However, we have no basis for predicting the effects of sweeping national reforms. That is the reason for the second recommendation in Up From Dependency: "We should neither propose nor support more 'national' welfare reforms unless locally-tested, with evidence of reduced dependency."

As we examine the potential for reform, we must be as cautious in designing changes as we are firm in our commitment to make them. Tens of millions of people depend on welfare. Our changes must be real improvements, not gambles. Before changing the welfare system as a whole from the top down, we should strive to find what works from the bottom up.

The final three recommendations of the Low-Income Working Group are:

- Adopt reform goals which comprehensively define Federal requirements for reform, allow maximum flexibility for State- and community-based reform efforts, and retain the current Federal-State financing commitments;
- Initiate a program of widespread, long-term experimentation in the restructuring of public assistance through community-based and State-sponsored demonstration projects; and
- Propose legislation to implement the experimental program and assure that its useful results are gradually incorporated in the national public assistance system.

There are several reasons for conducting several demonstrations simultaneously. It is not obvious that what works in one community or State would be effective everywhere else. The proposed demonstrations would free States to tailor assistance to the specific needs of their population and the localities in which they live, while at the same time meeting broad, national goals for welfare. Operating several demonstrations allows many new, innovative ideas to compete in a positive manner to discover how best to promote self-sufficiency and economic independence.

We are encouraged that the welfare system might be made more receptive to community self-help efforts. Local initiatives in many low-income communities across this nation are overcoming problems that proved too difficult for government bureaucracies.

The bulk of these efforts illustrates positive responses to the frustrations felt by local people when the current system fails to meet their unique needs.

That is why the President's legislation provides broad waiver authority to make possible State-sponsored, community-based demonstrations of alternative welfare assistance programs. Our proposal allows States to incorporate into a demonstration the funding they otherwise would receive from any program that currently is intended to reduce poverty. There are clear rules for these demonstrations. The State's filing for demonstration waiver must make clear exactly what the State intends to do; specifically, which programs will be included, who will participate, principles for eligibility and benefit determination, the form and amount of benefits, and innovative ways in which the demonstration is expected to both meet the need of the low-income population and reduce dependency. Along with other specifics on the scope of the demonstration, the filing must describe the evaluation efforts the State proposes so that at the end of the demonstration we will have generally acceptable evidence as to whether the demonstration succeeded in its objectives or not.

One thing we have heard over and over again in discussions with the Governors is that they need a single place to which they can come to get Federal approval for their welfare reform ideas. To accommodate these wishes, we propose that the State filings be submitted to an Interagency Low-Income Opportunity Board. The Board will be made up of representatives of the Departments with responsibility for major public assistance programs. The Board's Chairman has been appointed by the President. The Interagency Low-Income Opportunity Board is intended to speak with one voice to the States while still reflecting the various voices of the executive agencies responsible for public assistance programs. If the Board's Chairman determines that a filing meets the programmatic and budgetary requirements in the bill, that the civil rights of individuals and families, under all applicable laws, will be protected and that the proposed demonstration is structured to permit a sound evaluation of its results, the filing will be certified.

The agencies with responsibility for the programs included in the demonstration will make estimates of the amount of funds the demonstration site would have received under the laws then in effect. That will be the amount payable to the State for expenditures under the demonstration. Since many of these demonstrations will not be statewide, the Federal agencies will have to review and use information supplied by the States to determine just what the funding for the included programs would have been in the communities undertaking demonstrations. Each year's funding for the demonstration will be calculated based upon the laws in effect for the included programs. What this means is that if the allocations or funding levels for national programs change, the demonstrations will be affected in the same manner. We think this method of funding will show the continued support of the Administration for the demonstrations.

We think our commitment to the demonstrations is evident as well in the provision that permits States to keep any funds they save by making gains in reducing dependency. The bill requires a State to put these savings to a use which benefits the low-income people of the demonstration area.

The Governor in the State undertaking a demonstration must submit a final report to the Board assessing the demonstration's achievement and shortcomings, including recommendations regarding the demonstration's national significance. The Board's chairman must submit an annual report to Congress regarding the progress of the demonstrations.

Under the Low-Income Opportunity Act, State and community efforts to better target welfare resources, eliminate or reduce work disincentives, increase individual choice, and strengthen families will result in new and bold opportunities for low-income individuals and families to increase their social and economic self-sufficiency.

We believe that this proposal offers an exciting opportunity to improve the effectiveness of this nation's welfare system. We look forward to working with you on the passage of welfare reform legislation this year that would provide broad demonstration authority for States to reform the welfare system as a whole.

Mr. Chairman and Members of the Committee, that completes my prepared statement. I shall be happy now to address any questions you might have.

## RESPONSES TO QUESTIONS FOR JOHN W. BODE

### QUESTIONS SUBMITTED BY HON. MICKEY LELAND

*Question.* It seems that most past administrations have created task forces to look at income security programs. How will the new advisory board differ from past interagency boards, for example, will it have the power to direct changes and make binding decisions?

Answer. The Interagency Low Income Opportunity Advisory Board was created by the President on July 20, 1987. It is the successor to the Low Income Opportunity Working Group which developed the report "Up From Dependency—A New National Public Assistance Strategy," in response to the President's charge in his State of the Union Address for 1986.

The Board was created as a response to the fact that we simply don't have proven national solutions at hand to the problems of long-term welfare dependency. Over the past 5 years, State demonstrations have shown that some employment-related activities, such as job search, work experience, and grant diversion, have persistent impacts on employment and welfare dependency. We've incorporated these lessons into our legislative programs. Beyond this, there is little we really know about how to reduce dependency while meeting needs.

The report highlighted the significant energy and creativity at the State and local levels being devoted to innovative ways to move families from welfare rolls to self-support. It also noted the fragmented and limited nature of flexibility to try new solutions. The key recommendation of the report which has been adopted by the Board as its policy is to recognize that welfare is not one or two programs but a system of dozens of programs. In the absence of the legislative authority to coordinate exercise of such authority as currently exists in light of the systematic nature of low-income assistance.

The Board has communicated to the Governors of the States its intent to view their requests for authority to demonstrate innovative assistance programs from the perspective of their effects on the whole system of programs. This represents a departure from past practice, where proposals for waivers under current authority tended to be viewed in isolation. The Board's policy is to consider whether a State's proposal as a whole will reduce dependency while meeting need.

In practice this means that all the costs and savings associated with a demonstration proposal are considered together. The Board will recommend that a proposal be approved if arrangements can be made to assure that the Federal costs of the demonstration will not be higher than the costs of the programs in the absence of the demonstration. The policy recognizes that States are willing and able to do more with the current low-income assistance funding, if given the flexibility to try their own innovations.

The actions of the Board are purely advisory to the agencies with authority under law to approve demonstration waivers and other demonstrations authority. Those agencies are all represented on the Board, to create better coordination of policy and process.

*Question.* How would be board differ from the Interagency Low Income Opportunity Board established in the President's welfare reform proposal?

Answer. There are two fundamental ways in which the Board in the President's legislative proposal differs from the current Board. First, it would consider a much broader range of demonstration proposals, made possible by the enhanced authority elsewhere in the bill. Second, the chairman would have authority to exercise the enhanced waiver authority for the Board, which would be made up of representatives of the agencies administering low-income assistance programs.

*Question.* Would you please describe successful coordination or integration efforts initiated by this administration and carried out?

Answer. With respect to activities related to the President's welfare reform efforts, one of the first was to simply describe the public assistance system and its effects in an integrated fashion. This was accomplished in the report to the President and its supplemental volumes. The legislative proposal based upon this report aims to institutionalize the lessons learned by creating an interagency board to exercise expanded authority to permit States to undertake comprehensive reform demonstrations. In the absence of congressional action on that proposal, the President created the Interagency Low Income Opportunity Advisory Board to coordinate exercise of such authority as exists now. The Board has communicated its procedures to the States. Over the next several months, additional activities are planned to inform States of current authority and encourage comprehensive reform proposals.

To date, the Board has recommended, and the Secretary of Health and Human Services has granted, waivers for comprehensive reform demonstrations in New Jersey and Wisconsin.

*Question.* Based on current observations, where is the major waste in the welfare system?

Answer. "Up From Dependency—A New Public Assistance Strategy" documents the inefficiency of the welfare system in targeting aid, and the ineffectiveness of the system in bringing people out of poverty. The best survey data available from the Bureau of the Census showed that, from mid-1983 to mid-1984, after counting private income, such as earnings, and social insurance benefits, primarily Social Security retirement and disability, the insurance value of Medicare, and unemployment compensation, it would have taken about $51.6 billion to reduce the poverty rate among the noninstitutional population to zero, or close to the "poverty gap." The survey found $59.2 billion in means-tested cash and noncash aid from only ten of the major public assistance programs. (More than twice that much was spent during this period on low-income assistance programs, but the survey was not designed to capture it all.) However, only about 55 percent of the means-tested program benefits reported went to reduce poverty. As a result, after counting the $59.2 billion, 16.9 million persons remained below the poverty income levels, and a poverty gap of $19.1 billion remained.

*Question.* In your testimony you note that the complexity of the system makes it difficult for needy people to access services, particularly those who are poorly educated. What is the Department doing to try to educate these individuals about their possible eligibility for food stamp benefits and to help them through the application process?

Answer. When I spoke to the committee about the complexity of the system, I did not mean that applicants for assistance would need to become more sophisticated or better educated to access the system. Rather, I believe there are many ways the system can become simpler so that individuals do not experience problems when applying for assistance. For example, the Department has previously supported categorical eligibility for AFDC and SSI recipients. We have proposed the elimination of the shelter deduction in order to reduce the need for people to provide extensive documentation of utility expenses.

Final regulations implementing standard benefit demonstrations will be issued soon. These rules will allow 5 States and 5 other jurisdictions to simplify program rules. All of these activities should make the program more accessible to applicants.

Until 1981, the Federal Government, along with the States, shared the costs of Food Stamp Program outreach. In 1981, the Congress determined that outreach funding by the Federal Government was no longer necessary. The Food Stamp Program is a widely known program achieving great public awareness. Many States, however, continued outreach endeavors at their own expense. Recently, the Ad Council, with the Department's support, has been conducting a nationwide media campaign to inform people about the program and of eligibility requirements for food stamps. We are pleased to encourage this kind of private sector initiative.

*Question.* Your testimony suggests that we strive to find out what works from the bottom up as we examine the potential for welfare reform. How would you go about implementing this recommendation?

Answer. I have spoken of the President's legislative proposal to enhance the authority for States to demonstrate innovative ways to reduce dependency while meeting needs. Another key finding of "Up From Dependency—A New National Public Assistance Stragegy" is the presence in localities all over the Nation of community-based groups who have been developing alternatives to the current welfare system, often without any help from that system. Some of these community-based groups may be familiar to the committee, such as the tenant-management projects in several of the worst public housing sites around the Nation. What needs to be stressed is that there are hundreds of such community-based groups. A supplement to the report to the President identifies more than 380 grass-roots self-help programs among low-income people to promote self-sufficiency. When we talk about reform from the bottom up, we mean giving States, and these community-based groups working with States, the flexibility to use more or the considerable Federal funding for low-income assistance for innovation.

## PREPARED STATEMENT OF JOSEPH F. DELFICO, SENIOR ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

### SUMMARY

### Integration of Services for Low-Income Families

GAO's testimony focuses on the results of four reports on service integration it has issued over the past year. These reports include a comprehensive survey of states' views on obstacles and actions needed to enhance integration efforts. Many states reported substantial service integration progress among the AFDC, Medicaid, Food Stamp, and Emergency Assistance to Needy Families with Children programs. However, states believe that the many differences in rules and requirements among these programs and insufficient federal coordination are obstacles to further integration.

GAO supports continued efforts to integrate services and efforts to standardize eligibility and administrative requirements for programs that affect specific target populations. GAO believes that, to enhance the possibilities for success in reducing administrative costs and making programs more responsive to clients' needs, several courses could be taken. Thus, GAO suggests that future integration efforts

- -- focus on such discrete target groups as families with children, whether restructuring programs or better coordinating the programs as they exist;
- -- analyze the differences among programs serving the target group with a view toward identifying differences that both inhibit integration and provide the best opportunities for improving it;
- -- identify options for standardizing or eliminating program differences and assess them, using such criteria as effects on program objectives, benefit and administrative costs, responsiveness to client needs, and the reduction of payment errors;
- -- use analytical models that include data for each state to gage the effects of changes in eligibility requirements on the target groups and on federal, state, and local governments.

Furthermore, changes should be undertaken with caution and due care. The House Ways and Means Committee welfare reform initiative proposes that a commission be established to identify avenues for further integrating AFDC and Food Stamps. GAO believes this is an appropriate strategy for focusing the analysis needed of change options.

Our testimony focuses on integration of services for low-income families--a subject that has received considerable attention at all levels of government. It is based generally on a series of reports that we have issued to the Select Committee over the past year. Primarily, we will focus on our July 29, 1987, report on the results of our 50-state questionnaire survey of the status of service integration and states' views on obstacles and actions needed to enhance integration. Attachment I lists the reports.

Our efforts focused on the Aid to Families with Dependent Children (AFDC), Emergency Assistance to Needy Families with Children, Medicaid, Food Stamp, Low-Income Energy Assistance, and Section 8 Housing programs, and on four types of service integration--collocation of delivery units, coapplication, coeligibility determinations, and single case managers. These integration approaches are further defined in attachment II.

## STATUS OF SERVICE INTEGRATION

As detailed in our July 29 report, many states have taken steps to foster integration by restructuring their departments responsible for welfare programs and consolidating some programs' services for low-income families. States reported substantial integration among the AFDC, Medicaid, Food Stamp, and Emergency Assistance to Needy Families with Children programs. The Low Income Energy Assistance program is integrated with the other programs, but to a much lesser extent, and the Section 8 Housing program is only minimally integrated. When asked their views on the need for further service integration, 37 states indicated they strongly support enhancing integration efforts and that favorable outcomes could result if such activities were increased.

## OBSTACLES

According to the states, there are certain obstacles at the federal level to their efforts to achieve greater service integration for low-income families.

One major category of obstacles is program differences. Generally, each of the six programs uses different definitions and terminology. For example, income and asset limits are defined differently among AFDC, Food Stamps, and Section 8 Housing. In addition, the programs use different factors in determining eligibility and benefit amounts. The extent to which factors are used to determine eligibility and benefit amounts among programs is detailed in attachment III.

A second major category of obstacles is coordination. The states believe that the sheer number of agencies, organizations, and congressional committees involved in administering and overseeing services provided to low-income families makes coordination difficult. For example, four of the programs we included in our study are overseen by 11 House and Senate Committees with legislative responsibility, 2 federal departments, 2 federal agencies, 50 state welfare departments, and numerous county and district welfare offices.

## ACTIONS THE STATES BELIEVE WOULD ENHANCE SERVICE INTEGRATION

According to the states, federal actions more so than state or local actions are needed to realize additional service integration. A majority of states believe their efforts to increase integration would be greatly helped by federal actions to:

-- Further combine, simplify, and make uniform programs' rules, including eligibility requirements, terminology, administrative requirements, and quality control measures. Also, in March 1986 the National Council of State Human Service Administrators reported that much could be done at the federal agency level to coordinate AFDC and Food Stamps but that statutory changes were essential to resolve program differences that hinder effective administration.

-- Improve coordination among legislative committees, federal agencies, and levels of government, and within agencies.

-- Increase funding for service integration demonstration projects, computer systems, and program administration.

## SUGGESTED COURSES FOR FUTURE PROGRAM INTEGRATION EFFORTS

GAO supports continued efforts to integrate services, including standardizing eligibility and administrative requirements for specific target populations. As these efforts continue, several courses could be taken to enhance the possibilities for success.

### Focus on Target Groups

Whether restructuring existing programs or attempting to better coordinate them, it is useful to focus on discrete target groups. For instance, focusing on AFDC families and their needs, rather than the programs that serve them as well as many other target groups, should aid attempts to make more consistent the eligibility criteria and administrative requirements of programs that serve the AFDC population. Also, such an approach should enhance meeting such objectives as helping these families become self-sufficient. HR 1720, for example, which focuses on AFDC families, provides for a needs assessment for each family, improved integration and coordination of AFDC and Food Stamps--their core aid programs--and also education and training programs to help them become self-sufficient. We believe this is an appropriate integration strategy, allowing for the incremental consideration of additional programs that serve AFDC families.

## Analyze Program Differences

Next, the differences among programs serving the target group should be analyzed with a view toward identifying both differences that inhibit integration and those that provide the best opportunities for improving program congruence. The following table exemplifies major differences among four programs in which AFDC families commonly participate.

## SELECTED DIFFERENCES AMONG FOUR PROGRAMS SERVING AFDC FAMILIES

| | AFDC | Food Stamp | Medicaid | Section 8 Housing |
|---|---|---|---|---|
| Program characteristics: | | | | |
| 1) Purpose | Provide aid to needy children and caretaker relatives | Provide households an opportunity to obtain a more nutritious diet. | Provide medical assistance to welfare recipients and other medically needy persons. | Provide decent affordable housing to low-income families |
| 2) Form of benefit | Cash | Food Stamp coupons | Payment for medical services. | Cash rent subsidy to housing owner. |
| Eligibility criteria: | | | | |
| 1) Recipient Unit | Families with children lacking parental support. | Low-income "households." | AFDC and most SSI recipients and other medically needy persons at state option. | Low-income "families" (includes single persons who are disabled, elderly, or have been displaced). |
| 2) Income Limit | Income does not exceed 185 percent of state's standard of need. | Automatic eligibility for households containing only AFDC recipients—an estimated 65 percent of all AFDC families; for others, 130 percent of poverty line. | Automatic eligibility for AFDC and SSI recipients; in certain states other groups according to state option. | Family income below 80 percent of the area median income based on HUD standards. |
| 3) Asset Limits | $1,000 equity value per family excluding: the home, one auto ($1,500 equity limit), and items essential for day-to-day living. | Same as AFDC for households containing only AFDC recipients; for others, $2,000 per household excluding the home, one auto at $4,500 market value, and certain other items. | Same as for AFDC and SSI: can be more liberal for medically needy. | No asset test, but income is imputed at a rate of 10 percent per year of assets in excess of $5,000. |

Identify Options

Next, options for standardizing or eliminating program differences should be identified and evaluated using such criteria as effects on (1) program objectives, (2) benefit and administrative costs, (3) responsiveness to client needs, and (4) reduction of error and complexity.

For example, one option for further integrating the four programs discussed above would be to make all AFDC families categorically eligible for Food Stamps and Section 8 Housing--all are now eligible categorically for Medicaid and, under the Food Security Act of 1985, households in which all members receive AFDC are categorically eligible for Food Stamps. Our work has shown that about 65 percent of AFDC families live in such households.

From the standpoints of administrative costs (fewer eligibility determinations), responsiveness to client needs (less burdensome application procedures), and reduced errors (less chance for eligibility mistakes), such an option may be well received. However, this option may tend to shift the Food Stamp and Housing programs' objectives toward serving the AFDC population rather than low-income households generally, and increase--at least for food stamps--benefit costs. We recently reported that a 1984 demonstration project carried out in four locations in which AFDC families, for the most part, were made categorically eligible for Food Stamps achieved administrative cost savings and reduced errors at two locations, but resulted in increased benefit costs that more than offset the savings. The primary reason for the benefit increases was that the Congress required that average Food Stamp benefits for the target groups were to be kept at least as high as the average benefits that would have been provided under conventional Food Stamp program procedures. Such "hold harmless" provisions should be a major consideration in any future deliberations on program integration, because they could result in increased benefit costs.

Consideration of other options more detailed than the categorical eligibility option will require a closer examination of eligibility and administrative differences among the programs. Between AFDC and Food Stamps, for example, there are numerous differences and thus options for standardization and potential effects to be considered. Examples are included in the following table:

## OPTIONS FOR STANDARDIZING SELECTED AFDC AND FOOD STAMP ELIGIBILITY FACTORS

| Program factors | AFDC | Food Stamps | Options | Selected possible effects |
|---|---|---|---|---|
| 1. INCOME<br>a. Work expense disregard | Gross earned income is reduced by $75 for employment expenses | Gross earned income is reduced by 20% for employment expenses | (1)Use AFDC rule (for both programs) | -Simplifies Food Stamp administration<br>-Decreases Food Stamp administrative costs<br>-Reduces Food Stamp errors |
|  |  |  | (2)Use Food Stamp rule | -Complicates AFDC administration<br>-Increases AFDC administrative costs<br>-Increases AFDC errors. |
| b. Child support payment to AFDC families | $50 payment to family disregarded | Counted as income | (1)Use AFDC rule | -Complicates Food Stamp administration<br>-Encourages custodial parent to help collect support<br>-Increases Food Stamp payments |
|  |  |  | (2)Use Food Stamp rule | -Simplifies AFDC administration<br>-Reduces incentive for custodial parent to cooperate<br>-Decreases AFDC payments |
| c. Student grants, scholarships, and loans | Disregarded if they are administered by Dept. of Education | Considered income to the extent value exceeds direct educational costs | (1)Use AFDC rule | -Simplifies Food Stamp administration<br>-Decreases Food Stamp administrative costs<br>-Reduces Food Stamp errors<br>-Increases Food Stamp payments |
|  |  |  | (2)Use Food Stamp rule | -Complicates AFDC administration<br>-Increases AFDC administrative costs<br>-Increases AFDC errors<br>-Decrease AFDC payments |

| | | | | |
|---|---|---|---|---|
| 2. **GENERAL ELIGIBILITY:** | | | | |
| a. Strikers | Ineligible for any month if on strike last day | Eligible if eligible before strike | (1)Use AFDC rule | -Fewer families eligible for Food Stamps<br>-Decreases Food Stamp costs |
| | | | (2)Use Food rule | -More families eligible for AFDC<br>-Increases AFDC costs |
| 3. **ADMINISTRATIVE:** | | | | |
| Recipient reporting of changes that affect eligibility | All families (including those in monthly reporting system) must report all changes | Households in monthly reporting system not required to report interim changes. All others must report certain changes | (1)Use AFDC rule | -Adds to Food Stamp client burden<br>-Reduces Food Stamp payment errors<br>-Increase Food Stamp administrative costs. |
| | | | (2)Use Food Stamp | -Reduces AFDC client burden<br>-Increases Food Stamp payment errors<br>-Reduce AFDC administrative costs |

All of the above options would result in more uniform treatment of recipients and applicants, and some would simplify program administration and/or reduce costs and error. For example, if student benefits were disregarded in the Food Stamp program as they are in AFDC, recipients would benefit because of uniform treatment; Food Stamp agencies would benefit from simplified administration; and Food Stamp administrative costs and errors would likely decline. On the other hand, Food Stamp benefit costs would likely increase.

Uniformity among eligibility criteria and procedures for the AFDC and Food Stamp programs would solve only half the complexity problem because each program involves a unique second process for computing benefits. Thus, even if all AFDC families were categorically eligible for Food Stamps, separate benefit computations would still be required. This is because the rules differ between the two programs for the treatment of such factors as earned-income disregards to determine benefits.

In a March 1986 report, the National Council of State Human Service Administrators compared the two programs' eligibility, benefit computation, and administrative requirements. The Council identified 36 major factors that the two programs treat differently and that it recommended for resolution to make the programs more uniform. The factors are listed in attachment IV.

## Need to Carefully Consider Change Options

Any changes made in the programs could affect the incomes and relative poverty status of welfare families, as well as the administrative requirements imposed on them and the agencies. Analytical models can help to gage the effects of prospective changes in eligibility requirements, together with a comprehensive set of computer programs and state-by-state data sets. Moreover, such changes should be undertaken with caution and due care. The Ways and Means Welfare Reform initiative proposes that a Commission be established to identify avenues for further integrating the AFDC and Food Stamp programs. We believe that this is an appropriate strategy for focusing the research and analysis that necessarily must accompany an examination of program change options.

Although eligibility differences among the programs may be more difficult to resolve than procedural or administrative differences, many procedural improvements cannot reach full potential until eligibility requirements are simplified. Nonetheless, as we have testified, state and local governments can make and already have made many improvements on their own initiative. Thus, we believe the Congress and executive agencies should continue encouraging states to undertake such integration initiatives as use of single application forms for several programs; colocation of services; use of single case managers; and coeligibility determination.

This concludes my statement. We would be pleased to respond to any questions.

## GAO Reports for the Select Committee on Hunger on Service Integration

| | | |
|---|---|---|
| Needs-Based Programs - Eligibility and Benefit Factors | GAO/HRD-86-107FS | July 1986 |
| Welfare Simplification - Projects To Coordinate Services For Low-Income Families | GAO/HRD-86-124FS | August 1986 |
| Welfare Simplification - Thirty Two States' Views on Coordinating Services for Low-Income Families | GAO/HRD-87-6FS | October 1986 |
| Welfare Simplification - States' Views on Coordinating Services For Low-Income Families | GAO/HRD-87-110FS | July 1987 |

## Definitions of Four Types of Service Integration

1. Collocation of services--Assistance from two or more programs provided in one location. In our study, we defined one location as a distance between two points no more than one city block apart.

2. Coapplication for service--Assistance from two or more programs applied for using a single application form. Although a single form is used, some questions may apply to all programs, while others may relate to specific programs with unique requirements.

3. Coeligibility determination for services--Applicants have eligibility determined for two or more programs using the same process/procedures to review application forms for several programs having different eligibility requirements.

4. Single case manager for services--When applying for two or more benefits, an applicant deals with one case manager from the beginning of the application process through provision or denial of benefits.

### Eligibility and benefit factors

| Program | Name | SSN | Date of birth/age | Citizenship | Alien status | Refugee | Parentage | Disability | Blind | Dependents | Household composition |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aid to Families with Dependent Children | 1 | 1 | 1 | 1 | 1 | - | 1 | 1 | 1 | 1 | 3 |
| Emergency Assistance to Needy Families with Children | 1 | - | 1 | 1 | 1 | - | 1 | - | - | 1 | 2 |
| Food Stamp | 1 | 1 | 1 | 1 | 1 | 1 | - | 1 | - | - | 2 |
| Lower Income Housing Assistance (Section 8) | 1 | - | 1 | - | - | - | - | 1 | 1 | 1 | 2 |
| Medicaid | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

The code numbers used in the table for the various eligibility and benefit factors indicate the following:

1 - Used for determining eligibility only.
2 - Used for determining benefits only.
3 - used for determining both eligibility and benefits.

Source: Needs Based Programs - Eligibility and Benefit Factors (GAO/HRD-86-107FS).

Eligibility and benefit factors

| School attendance | Residency/ location | Employment/ work data | Earned income | Unearned income | Resources | Living arrangement | Shelter expense | Utility expense | Medical expense | Work expense | Child expense |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 3 | 3 | 1 | - | - | - | - | 2 | 2 |
| - | 1 | 1 | 1 | 1 | 1 | - | - | - | - | - | - |
| - |  | - |  |  |  |  |  |  |  |  |  |
| 2 | - | - | 3 | 3 | 1 | 1 | - | - | 3 | - | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 | - | - | - | - | 1 | 1 |

## Factors that Differ Between the Food Stamp and AFDC Programs

### ADMINISTRATIVE PROCEDURES

1. Implementation of new rules--hold harmless periods for quality control purposes
2. Monthly reporting exceptions to continued benefits pending a hearing
3. Time frames for conducting fair hearings
4. Time frames within fair hearing process
5. Verification requirements at application
6. Verification requirements for recertification/ redetermination
7. Verification associated with monthly reporting
8. Verification standards
9. Recipient notice requirements
10. Application requirements
11. Recertification and redetermination requirements
12. Changes in circumstances
13. Quality control program

### NONFINANCIAL ELIGIBILITY FACTORS

14. Striker policy
15. Alien status
16. Resource limits
17. Vehicles
18. Life insurance
19. Transfer of asset policy
20. Prepaid burial plans

## TREATMENT OF INCOME

21. Student grants, scholarships, and loans
22. $50 child support disregard
23. Work expense disregard
24. Training allowances including WIN and JTPA
25. Lump sum payment
26. Earned income of minors in school
27. Self employment income
28. Special needs assistance

## REPORTING REQUIREMENTS

29. Monthly reporting requirements
30. Failure to report earned income
31. Reporting small changes

## WORK REQUIREMENTS

32. Work registration exemptions
33. Disqualification periods and good cause

## FEDERAL FINANCIAL PARTICIPATION

34. Incentives to combat fraud

## CATEGORICAL ELIGIBILITY

35. Eligibility determinations
36. Standardized benefits

Source: National Council of State Human Services Administrators, of the American Public Welfare Association, Report, March 1986

## RESPONSES TO QUESTIONS FOR JOSEPH F. DELFICO

### QUESTIONS SUBMITTED BY HON. MICKEY LELAND

*Question.* Based on GAO's research, in an ideal public assistance system, what major programs should be better integrated to achieve their objectives.

Answer. Our research leads us to believe that all major welfare programs should be better integrated to achieve their objectives. As we testified, we believe, an appropriate integration strategy would be to focus on discrete target groups, such as AFDC families, and their needs. Such an approach should aid attempts to make more consistent the eligibility criteria and administrative requirements of programs that serve the AFDC population. H.R. 1720, for example, which focuses on AFDC families, provides for a needs assessment for each family, improved integration and coordination of AFDC and food stamps—their core aid programs—and also education and training programs to help them become self-sufficient. The advent of welfare reform and its emphasis on education, training, transportation, and child care for people in work programs raises new problems in improving service integration. These new service requirements need to be integrated like the core programs—food stamps, AFDC, and medicaid—to help achieve reform objectives.

*Question.* What incentives does the Federal Government currently offer States for improving the integration of public aid programs?

Answer. We are unaware of incentives the Federal Government currently may be offering the States to improve program integration other than (1) funding service integration demonstration projects, and (2) reimbursing at higher than normal levels the costs of developing multiprogram automated management systems.

Follow-Up: What suggestions can you provide for additional incentives to spur expanded integration?

Answer. We believe actions the Federal Government could take to spur expanded service integration by States include the following:

Institutionalize, by Office of Management and Budget (OMB) directive, an adopted national policy of simplifying, coordinating, and integrating public aid programs, with Federal agencies reporting to OMB periodically on efforts and progress toward meeting policy objectives.

Allowing States to retain some percentage of verifiable cost reductions that result from integration efforts.

Increasing the Federal share of administrative costs for States with integrated systems.

Liberalizing the process for granting waivers of Federal requirements for States operating projects to demonstrate program integration.

*Question.* Your testimony indicates that 37 States strongly support enhancing integration and predict favorable outcomes if such activities were increased. Does reference to favorable outcomes mean a reduction of barriers which prevent low-income persons from participating in programs, or a reduction in administrative costs?

Answer. Our reference to favorable outcomes means both a reduction of client access barriers (which could result in benefit cost increases), and a reduction in administrative costs. The States also indicated that other favorable outcomes could result from enhancing integration, such as more efficient service delivery and increased accountability of service delivery officials.

*Question.* Does your research indicate that we would achieve better integration if Federal statutes authorizing public assistance programs were more specific and provided less flexibility to the various departments and agencies promulgating regulations?

Answer. Yes, if more specificity in the statutes is aimed at and results in more consistency across the programs as to (1) terminology and definition of such items as income and assets, (2) eligibility criteria, (3) eligibility verification procedures, (4) quality control procedures, and (5) administrative requirements including reporting.

*Question.* What suggestions would you offer for improving legislative oversight of integration activities and efforts?

Answer. Actions the Congress could take to improve legislative oversight of service integration effort include:

Centering in a single committee responsibility for developing a national policy on simplifying and integrating public aid programs.

Requiring Federal agencies to better evaluate and report on Federal/State service integration activities.

Establishing a commission to identify avenues for further simplifying and integrating public aid programs, and focusing the research and analyses that necessarily must accompany an examination of program change options.

## Prepared Statement of Sandra Gardebring, Commissioner, Minnesota Department of Human Services, on behalf of National Council of State Human Service Administrators, American Public Welfare Association

GOOD MORNING. I AM SANDRA GARDEBRING, COMMISSIONER OF THE MINNESOTA DEPARTMENT OF HUMAN SERVICES.

I AM HERE TODAY REPRESENTING THE AMERICAN PUBLIC WELFARE ASSOCIATION AND ITS NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS TO DISCUSS THE NEED FOR GREATER CONSISTENCY IN THE AID TO FAMILIES WITH DEPENDENT CHILDREN AND FOOD STAMP POLICIES. I APPRECIATE THE OPPORTUNITY TO TESTIFY HERE TODAY AND COMMEND THIS COMMITTEE FOR ITS ON-GOING INTEREST IN, AND LEADERSHIP ON, THE ISSUE OF COORDINATION OF LOW-INCOME PROGRAMS TO BETTER SERVE THOSE IN NEED. I HAVE PREPARED MY TESTIMONY TO DISCUSS THE CURRENT INCONSISTENCIES AND IDIOSYNCRASIES IN THE PROGRAMS WE ADMINISTER--FOCUSING ON THE AFDC AND FOOD STAMP PROGRAMS. I WILL BRIEFLY OVERVIEW MINNESOTA'S WORK IN THIS AREA, AND I AM SUBMITTING FOR THE RECORD AN OVERVIEW OF STATE ADMINISTATORS' RECOMMENDATIONS FOR LEGISLATIVE CHANGES.

APWA AND THE HUMAN SERVICE COMMISSIONERS HAVE WORKED OVER THE LAST 2 YEARS ON RECOMMENDTIONS TO ESSENTIALLY REDESIGN OUR NATION'S SOCIAL WELFARE SYSTEM. WE ISSUED A REPORT LATE LAST YEAR RECOMMENDING ACTION AT ALL LEVELS OF GOVERNMENT AND IN THE PRIVATE AS WELL AS PUBLIC SECTOR. OUR WELFARE REFORM RECOMMENDATIONS HAVE BEEN CONSIDERED, AND MANY PROPOSALS ACCEPTED BY, YOUR COLLEAGUES ON THE WAYS AND MEANS COMMITTEE. ONE OF THE RESOURCE TOOLS WE USED IN OUR DISCUSSIONS WAS A SURVEY OF STATE

HUMAN SERVICE COMMISSIONERS. ASKED WHAT THEY CONSIDERED TO BE THE MOST SIGNIFICANT BARRIERS TO IMPROVING THEIR AGENCY EFFECTIVENESS, THE COMMISSIONERS CITED SEVERAL AREAS INCLUDING THE NEGATIVE PUBLIC PERCEPTIONS OF WELFARE PROGRAMS AND THE POOR AND THE LIMITED RESOURCES.

ANOTHER BARRIER TO EFFECIENCY CITED BY THE COMMISSIONERS WAS PROGRAM COMPLEXITY--THE INCONSISTENT REGULATIONS ACROSS THE MAJOR BENEFIT PROGRAMS, AND PARTICULARLY FOOD STAMPS AND AFDC. THEY CITED THE PATCHWORK OF CATEGORICAL PROGRAMS, AND THE RAPID CHANGES IN REGULATIONS THAT HAVE SEEMED, AT TIMES, CAPRICIOUS--TOO MANY CHANGES TOO FREQUENTLY.

AS YOU KNOW THE VAST MAJORITY OF LOW INCOME HOUSEHOLDS THAT RECEIVE AFDC ALSO PARTICIPATE IN THE FOOD STAMP PROGRAM. TO DELIVER BENEFITS TO THESE FAMILIES, STATE AND LOCAL AGENCIES MUST FOLLOW DIFFERENT AND OFTEN CONTRADICTORY FEDERAL REQUIREMENTS FOR EACH PROGRAM. FOR EXAMPLE, THE DEFINITION OF NEED IS DIFFERENT IN EACH PROGRAM. IN AGENCIES WITH GENERIC WORKERS (CASE WORKERS RESPONSIBLE FOR BOTH AFDC AND FOOD STAMP ELIGIBILITY DETERMINATIONS) THE WORKERS MUST OBTAIN THE SAME CLIENT INFORMATION, AND THEN EVALUATE THAT INFORMATION TWICE BECAUSE THE ELIGIBILITY REQUIREMENTS ARE DIFFERENT FOR THE TWO PROGRAMS. THIS MEANS, FOR EXAMPLE, THAT FOR AFDC CERTAIN RELATIVES ARE CONSIDERED TO BE PART OF THE AFDC HOUSEHOLD. THE FOOD STAMP PROGRAM USES DIFFERENT RELATIVES AS WELL AS FOOD PURCHASING AND

COOKING ARRANGEMENTS TO DETERMINE WHO IS PART OF THE ELIGIBLE HOUSEHOLD. OTHER AGENCIES HAVE WORKERS SPECIALIZE IN ONLY ONE PROGRAM IN ORDER TO COMPENSATE FOR THE PROGRAM COMPLEXITIES AND INCONSISTENCIES. THIS AFFECTS ADMINISTRATIVE COSTS AND MEANS THAT THE CLIENT OFTEN REPORTS THE SAME INFORMATION TO TWO DIFFERENT WORKERS.

THE COMPLEXITY OF THE ELIGIBILITY DETERMINATIONS AND THE CONSTANTLY CHANGING FEDERAL POLICIES AND REGULATIONS THAT GOVERN THEM HAVE MADE THE TASK OF THE ELIGIBILITY WORKER FAR MORE DIFFICULT THAN IT SHOULD BE. AT THE SAME TIME WE HAVE CREATED A PROCESS THAT CAN--AND OFTEN DOES--OVERWHELM AND INTIMIDATE OUR CLIENTS.

IN MINNESOTA WE HAVE TAKEN STEPS TO MINIMIZE AND COMPENSATE FOR THE CONFLICTS BETWEEN THE PROGRAMS THROUGH POLICY CHANGESAND CORRECTIVE ACTIONS. WE DEVELOPED A DESK AID TO BE USED BY AFDC AND FOOD STAMP WORKERS TO HIGHLIGHT MAJOR PROGRAM DIFFERENCES IN ORDER TO ALERT WORKERS TO AREAS IN WHICH ERRORS CAN OCCUR. IN ADDITION, WE RECENTLY IMPLEMENTED A POLICY ON THE TREATMENT OF EDUCATIONAL INCOME IN THE AFDC PROGRAM SO THAT THE TREATMENT IS SIMILAR TO THE PROCESS FOLLOWED IN THE FOOD STAMP PROGRAM, THEREBY REDUCING THE INCONSISTENCY.

AS YOU KNOW FROM THE GENERAL ACCOUNTING OFFICE (GAO) STUDIES REQUESTED BY THIS COMMITTEE, MINNESOTA IS NOT ALONE IN OUR EFFORTS TO ADDRESS THE NEED FOR BETTER COORDINATION OF PROGRAMS.

GAO'S FINDINGS ILLUSTRATE THAT THE MAJORITY OF STATE AND LOCAL AGENCIES HAVE MADE CONCERTED EFFORTS TO SIMPLIFY AND COORDINATE PROGRAMS AND SERVICES. HOWEVER, THE TRULY SIGNIFICANT CHANGES IN COORDINATION OF THE AFDC AND FOOD STAMP PROGRAM POLICIES MUST BE ADDRESSED BY CONGRESS. THE FEDERAL AGENCIES HAVE MADE SEVERAL ATTEMPTS TO COORDINATE POLICIES, BUT SO FAR THESE EFFORTS HAVE NOT RESULTED IN CONSISTENCY.

BEFORE I GO ON TO ADDRESS THE NATIONAL COUNCIL OF STATE HUMAN SERVICES ADMINISTRATORS RECOMMENDATIONS FOR CHANGE, I WOULD LIKE TO POINT OUT THAT STATE ADMINISTRATORS CONTINUE TO THINK THAT THE BEST MEANS OF SERVICE COORDINATION IS THE COMPREHENSIVE REFORM OFFERED BY THE FAMILY LIVING STANDARD APPROACH (FLS) AS RECOMMENDED BY OUR MATTER OF COMMITMENT REPORT THAT I MENTIONED EARLIER. THE RECOMMENDATIONS INCLUDED IN OUR REPORT AND ENDORSED BY THE NATIONAL GOVERNORS ASSOCIATION (NGA), WOULD CONSOLIDATE THE AFDC, FOOD STAMP AND LIHEAP PROGRAMS TO BETTER FOCUS OUR RESOURCES ON THE NEEDS OF THE CLIENT. A NATIONAL METHODOLOGY WOULD BE DEVELOPED FOR SPECIFIC BENEFIT LEVELS. FAMILIES WOULD THEN BE ELIGIBLE FOR ONE, BENEFIT PAYMENT TO ADDRESS THEIR NEEDS.

ALTHOUGH WE ARE PLEASED THAT THE HOUSE WELFARE REFORM LEGISLATION, H.R. 1720, WOULD ESTABLISH SEPARATE COMMISSIONS TO STUDY THE FAMILY LIVING STANDARD, AS WELL AS COORDINATION,THERE HAVE BEEN NUMEROUS STUDIES AND DEMONSTRATIONS TO DATE ATTESTING TO THE MERIT OF BETTER COORDINATION OF SERVICES. WHAT WE NEED NOW IS CHANGE--LEGISLATIVE CHANGE.

I WOULD NOW LIKE TO ADDRESS THE RECOMMENDATIONS ON PROGRAM CONSOLIDATION AND SIMPLIFICATION DEVELOPED BY MY COLLEAGUES. OVER TWO YEARS AGO THE NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS CREATED A NATIONALLY REPRESENTATIVE TASK FORCE TO EXAMINE SIMPLIFICATION AND COORDINATION OF THE AFDC AND FOOD STAMP PROGRAMS. AFTER SURVEYING ALL OF THE STATES, THE TASK FORCE DEVELOPED A COMPREHENSIVE SET OF LEGISLATIVE AND REGULATORY RECOMMENDATIONS. THE RECOMMENDATIONS WERE ENDORSED BY THE NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS AND THE NATIONAL COUNCIL OF LOCAL PUBLIC WELFARE ADMINISTRATORS AND ARE SUPPORTED BY THE NATIONAL GOVERNORS ASSOCIATION. OUR RECOMMENDATIONS HAVE SINCE BEEN SHARED WITH THE LEADERSHIP OF THIS COMMITTEE, AS WELL AS THE WAYS AND MEANS PUBLIC ASSISTANCE SUBCOMMITTEE AND THE AGRICULTURE DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION SUBCOMMITTEE.

OUR RECOMMENDATIONS WERE DEVELOPED WITH SEVERAL IMPORTANT GOALS IN MIND: FIRST, TO REPLACE COMPLEX AND SOMETIMES CONTRADICTORY POLICIES WITH A STREAMLINED, COORDINATED SET OF POLICIES TO REDUCE BARRIERS TO PARTICIPATION. SECOND, TO COORDINATE AND SIMPLIFY THE PROGRAMS TO REDUCE THE ADMINISTRATIVE BURDEN OF MAINTAINING SEPARATE POLICIES AND PROCEDURES FOR PROGRAMS SERVING OVERLAPPING POPULATIONS. THIRD, TO PROVIDE A CLEARER, MORE COHERENT PROGRAM BASE FROM WHICH EFFORTS AT CLIENT SELF-SUFFICIENCY CAN BE LAUNCHED.

OUR PROPOSED LEGISLATIVE CHANGES ADDRESS AREAS SUCH AS THE TREATMENT OF INCOME AND RESOURCES, THE EXEMPTION OF CHILD SUPPORT PAYMENTS, THE IMPLEMENTATION OF POLICY CHANGES, THE REQUIREMENTS FOR VERIFICATION AND THE COORDINATION OF EMPLOYMENT AND TRAINING EFFORTS.

A COPY OF THE NCSHSA RECOMMENDATIONS FOR LEGISLATIVE AND REGULATORY CHANGES HAS BEEN SUBMITTED FOR THE RECORD. I WOULD, HOWEVER, LIKE TO SUBMIT FOR THE RECORD ADDITIONAL SPECIFIC INFORMATION CONCERNING THE RECOMMENDED LEGISLATIVE CHANGES INCLUDED IN OUR REPORT.

A CERTAIN AMOUNT OF PROGRAM DIFFERENCES IS UNAVOIDABLE AND NECESSARY IN ORDER TO ASSURE RESPONSIVENESS TO VARYING CIRCUMSTANCES AND POPULATIONS. THERE ARE, HOWEVER, MANY PROGRAM IMPROVEMENTS THAT CAN BE MADE WITHOUT SACRIFICING RESPONSIVENESS THAT WILL CLEARLY ENABLE ADMINISTRATORS TO PROVIDE BETTER SERVICE TO CLIENTS.

I THANK YOU FOR THE OPPORTUNITY TO TESTIFY HERE TODAY AND WOULD LIKE TO URGE THIS COMMITTEE LOOK VERY CLOSELY AT OUR RECOMMENDATIONS AND TO WORK TOGETHER WITH STATE ADMINISTRATORS TO BETTER COORDINATE OUR PROGRAMS. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

## NCSHSA'S RECOMMENDATIONS FOR LEGISLATIVE CHANGE

### O TREATMENT OF INCOME AND RESOURCES

CURRENTLY THE AFDC AND FOOD STAMP PROGRAM HAVE VERY DIFFERENT LIMITS ON THE RESOURCES SUCH AS VEHICLES, LIFE INSURANCE POLICIES, LUMP SUM PAYMENTS, AND SELF-EMPLOYMENT INCOME. WE CURRENTLY DEFINE NEED DIFFERENTLY IN THE TWO PROGRAMS.

THE AFDC RESOURCE LIMITS AND TREATMENT OF VEHICLES, LIFE INSURANCE., AND LUMP SUM PAYMENTS SHOULD BE CHANGED TO MIRROR THE FOOD STAMP PROGRAM. THIS WOULD PROVIDE A LOGICAL, CONSISTENT, AND FAIR DEFINITION OF NEED, WHILE AT THE SAME TIME MINIMIZING THE COMPLEXITY OF ELIGIBILITY DETERMINATIONS.

THERE ARE ADDITIONAL PROBLEMS WITH HOW WE VALUE AND DEFINE RESOURCES THAT GO BEYOND THE DIFFERENCES IN THE VALUE OF LIMITS. IN MANY INSTANCES EACH PROGRAM DETERMINES THE COUNTABLE VALUE OF THE SAME RESOURCE DIFFERENTLY. FOR EXAMPLE, THE AFDC PROGRAM USES THE CLIENT'S EQUITY IN A VEHICLE TO DETERMINE ITS AFFECT ON ELIGIBILITY WHEN THE FOOD STAMP PROGRAM INITIALLY LOOKS AT THE FAIR MARKET VALUE OF THE VEHICLE, REGARDLESS OF THE CLIENT'S EQUITY, WHEN

DETERMINING ELIGIBILITY. IN ADDITION, THE NUMBER OF VEHICLES OWNED BY A CLIENT AND THEIR USE AFFECTS HOW THEY ARE EVALUATED FOR THE FOOD STAMP PROGRAM. IF THE LIMITS CAN'T BE THE SAME, THE SAME EXCLUSION OR INCLUSION PROVISIONS AND THE DEFINITION OF THE VALUE SHOULD BE CONSISTENT BETWEEN THE TWO PROGRAMS.

THE DIFFERING DEFINITIONS OF INCOME BETWEEN THE AFDC AND FOOD STAMP PROGRAMS INCREASE COMPLEXITIES FOR CLIENTS AND WORKERS. ONE EXAMPLE IS THE TREATMENT OF SELF-EMPLOYMENT INCOME. THE FOOD STAMP PROGRAM PROVIDES SPECIFIC DEFINITIONS AND PROCEDURES WHILE THE AFDC PROGRAM PROVIDES ONLY GENERAL GUIDANCE THAT IS INCONSISTENT WITH FOOD STAMP POLICIES. THE FOOD STAMP PROGRAM REQUIRES THAT MOST INCOME FROM SELF-EMPLOYMENT BE AVERAGED AND WORKERS GENERALLY USE INFORMATION FROM THE LATEST INCOME TAX RETURN TO DO THIS. THE AFDC PROGRAM HAS MORE STRINGENT RETROSPECTIVE BUDGETING REQUIREMENTS THAT DO NOT ALLOW FOR THE AVERAGING OF THIS INCOME. THE SAME CLIENT WILL HAVE THE SAME SELF-EMPLOYMENT INCOME TREATED VERY DIFFERENTLY BY THE TWO PROGRAM.

THE FEDERAL AGENCIES HAVE ISSUED AT LEAST TWO SETS OF INSTRUCTIONS REGARDING THE TREATMENT OF INCOME INDICATING POLICIES WERE BEING CHANGED OR CLARIFIED TO CREATE CONSISTENCY BETWEEN THE TWO PROGRAMS, WHEN IN REALITY, THE POLICIES WERE STILL NOT CONSISTENT. THIS HAPPENED WITH THE

TREATMENT OF INCOME FROM THE SALE OF BLOOD AND INCOME CONSIDERED "INCONSEQUENTIAL" FOR THE AFDC AND FOOD STAMP PROGRAMS. FOR EXAMPLE, THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, IN DEVELOPING THE 1986 POLICY ON THE TREATMENT OF INCONSEQUENTIAL INCOME, USED A DOLLAR AMOUNT THAT WAS CONSISTENT WITH THE FOOD STAMP PROGRAM, BUT ALLIED DIFFERENT RULES TO THE BUDGETING OF THIS INCOME.

o CHILD SUPPORT DISREGARD

PRESENTLY THE AFDC PROGRAM EXEMPTS THE FIRST $50 OF CHILD SUPPORT PAYMENTS WHEN DETERMINING INCOME FOR ELIGIBILITY PURPOSES. THERE SHOULD BE IDENTICAL TREATMENT IN THE FOOD STAMP PROGRAM. SUCH A CHANGE WOULD NOT ONLY SIMPLIFY THE ADMINISTRATION OF THE FOOD STAMP PROGRAM, BUT PROVIDE AN ADDED INCENTIVE FOR ABSENT PARENTS TO MAKE CHILD SUPPORT PAYMENTS AND FOR CUSTODIAL PARENTS TO ASSIST THE STATE IN IDENTIFYING THE ABSENT PARENT.

o MONTHLY REPORTING AND RETROSPECTIVE BUDGETING

MONTHLY REPORTING AND RETROSPECTIVE BUDGETING (MRRB) SHOULD BE OPTIONAL IN THE FOOD STAMP AND AFDC PROGRAMS. STATES SHOULD BE PERMITTED TO USE SUCH SYSTEMS AT THEIR DISCRETION AND MAINTAIN THE FLEXIBILITY TO DESIGN SUCH SYSTEMS TO BEST SUIT THEIR ADMINISTRATIVE AND OPERATING STRUCTURES. THE CURRENT WAIVER PROCESS IS BOTH CUMBERSOME AND TIME CONSUMING.

- IMPLEMENTATION OF NEW RULES

  CONGRESS SHOULD REQUIRE A TIME-LIMITED MORATORIUM ON QUALITY CONTROL ERRORS IN THE FOOD STAMP PROGRAM SUBSEQUENT TO THE IMPLEMENTATION OF MAJOR CHANGES IN THE PROGRAM. THIS HAS BEEN THE PRACTICE IN THE AFDC PROGRAM. THIS ALLOWS FOR A RATIONAL, PLANNED IMPLEMENTATION PERIOD THAT WOULD INCLUDE THE FLEXIBILITY NECESSARY TO TEST AND EVALUATE THE BEST WAY TO IMPLEMENT A GIVEN POLICY.

- TRANSFER OF ASSET POLICY

  THE TRANSFER OF ASSETS POLICY IN THE FOOD STAMP PROGRAM SHOULD BE CHANGED TO PERMIT STATE FLEXIBILITY IN DEVELOPING SUCH POLICIES TO COINCIDE WITH THE AFDC POLICY. CURRENTLY IN THE FOOD STAMP PROGRAM, PARTICIPATION IS PROHIBITED IF A COUNTABLE ASSET IS TRANSFERRED FOR LESS THAN FAIR MARKET VALUE DURING THE THREE MONTHS PRIOR TO APPLICATION OR DURING THE CERTIFICATION PERIOD. A HOUSEHOLD MAY BE DISQUALIFIED FOR UP TO ONE YEAR FOR THIS REASON. NO PARALLEL PROVISION EXISTS IN THE AFDC PROGRAM.

- PREPAID BURIAL PLANS

  CONGRESS SHOULD AMEND THE FOOD STAMP ACT TO REFLECT AFDC'S TREATMENT OF FUNERAL AGREEMENTS WHICH EXEMPTS BONA FIDE

FUNERAL ARRANGMENTS WITH AN EQUITY VALUE OF NO MORE THAN $1500 FOR EACH MEMBER OF THE HOUSEHOLD.

- Complementary Programs

Congress should amend the Food Stamp Act to permit states to exclude as income state funded programs aimed at special needs as is currently the case in the AFDC program. This change would facilitate joint eligibility determinations and benefit calculations in both programs. It would also encourage states to provide special assistance needs not currently addressed by the AFDC and Food Stamp Programs, for example, services for battered women and children, the homeless, and the recently deinstitutionalized.

- Verification Requirements

States should be allowed the flexibility to establish verification requirements and procedures that are consistent between the AFDC and Food Stamp Programs. Great flexibility is currently allowed in the AFDC program but the Food Stamp Program is much more prescriptive. This means that agencies have differing verification requirements for the two programs.

o EMPLOYMENT AND TRAINING

ALTHOUGH THE NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS REPORT ON SIMPLIFICATION AND CONSOLIDATION DID NOT MAKE SPECIFIC RECOMMENDATIONS IN AREA OF EMPLOYMENT AND TRAINING, THIS IS CLEARLY AN AREA WHERE COORDINATION OF POLICIES IS VERY IMPORTANT. AGENCIES SHOULD BE ALLOWED THE FLEXIBILITY TO DESIGN GENERIC, RATHER THAN PROGRAM SPECIFIC, WORK PROGRAMS TO SERVE CLIENTS FOR ALL INCOME MAINTENANCE PROGRAMS. PERFORMANCE STANDARDS AND DEGREE OF STATE FLEXIBILITY SHOULD BE CONSISTENT IN THE DEVELOPMENT OF WORK PROGRAM RULES DEVELOPED BY CONGRESS FOR THE TWO PROGRAMS.

## Additional Comments

Although we have not had an opportunity to thoroughly analyze the joint proposed regulations published yesterday by HHS and FNS, from a quick review I can tell you state administrators will be disappointed by the departments proposals. There does not appear to be any significant address of the issues at hand. It seems the proposals include some questionable changes to administrative responsibilities at the expense of the client. I would like to ask the committee to afford us the opportunity to submit our comments for the record after my staff has had a chance to review the regulations.

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# COMPARISON OF FOOD STAMP AND AFDC PROGRAM REQUIREMENTS

## WITH RECOMMENDATIONS FOR CHANGE

JULY 1986

# INTRODUCTION

The vast majority of low income households that receive Aid to Families with Dependent Children (AFDC) also participate in the Food Stamp program. To deliver benefits to these families, State and local agencies must follow federal requirements for both programs. These requirements differ greatly because the statutes and regulations that govern these programs have not been closely coordinated.

This lack of coordination stems in large part from the enactment of the Food Stamp Act of 1977, which created a separate, national program that was intended to treat all participants equally, whether or not their primary source of income was public assistance. This goal has certainly been achieved. From an administrative and practical point of view, however, the cost of operating two separate programs that use different rules for essentially the same population must be questioned.

All State and local jurisdictions have expended with great success significant resources to reduce error in public assistance programs over the last ten years. Simplification of eligibility determinations and benefit computations has long been recognized by human service administrators as an essential ingredient in the corrective action process. Unfortunately, the statutory and regulatory changes that have occurred during this same period have increased the complexity of both programs and multiplied their differences.

The National Council of State Human Service Administrators commends the Food and Nutrition Service (FNS) and the Office of Family Assistance (OFA) for their recent review of conflicting regulations. We believe that much can be done at their level to coordinate the two programs. However, we also believe that statutory changes are essential to resolve program differences that hinder effective administration of the two programs.

This document examines the major differences between the AFDC and Food Stamp programs. More significantly, specific recommendations are made that would eliminate or greatly reduce these differences. Taken together, the recommendations do not propose changes that would significantly increase program expenditures.

The recommendations were developed with several important principles in mind. First, it makes little programmatic sense from our point of view to define need differently in two essential programs that often serve the same population. Second, States and local jurisdictions share with the Federal government the desire to improve program performance. Third, administering agencies need maximum flexibility to develop program rules that are operational in nature. Because the Federal government holds States fiscally accountable through the Quality Control program, it need not establish detailed administrative procedures for ensuring that benefits are issued in accordance with eligibility rules.

The National Council of State Human Service Administrators remains committed to the improvement of the Food Stamp and AFDC programs and stands ready to work with all interested parties to achieve that goal.

# COMPARISON OF FOOD STAMP AND AFDC PROGRAM REQUIREMENTS

## ADMINISTRATIVE PROCEDURES

### 1. IMPLEMENTATION OF NEW RULES

| Food Stamp Program | AFDC Program |
|---|---|
| No provision is made to hold a State harmless for Quality Control purposes during the period of time required to implement new rules. | Hold harmless periods have been established for Quality Control purposes when States have implemented major program changes. |

RECOMMENDATION #1. Congress should require a time-limited moratorium on Quality Control errors subsequent to implementation of major changes in either program. This would allow for a rational, planned implementation period that would include the flexibility necessary to test and evaluate the best way to implement a given policy.

### 2. MONTHLY REPORTING EXCEPTIONS TO CONTINUED BENEFITS PENDING A HEARING

| Food Stamp Program | AFDC Program |
|---|---|
| A State must deny continued benefits when:<br>A household does not submit the monthly report by the extended filing date and admits that it did not submit the report;<br>The benefits have been terminated for failure to file and the household has not yet submitted a new monthly report. | No similar requirement exists in the AFDC program. If a recipient submits the monthly report after filing date but before extension deadline, the state may delay benefits. If the report is not filed by the extension date, the state may reduce or terminate benefits. However, if an appeal is filed within 10 days benefits must be reinstated. |

RECOMMENDATION #2: FNS should adopt AFDC policy for both programs and eliminate Food Stamp exception to continuation of benefits. This change would facilitate compatible processing of AFDC and Food Stamp monthly reporting cases.

## 3. TIME FRAMES FOR CONDUCTING FAIR HEARINGS

| Food Stamp Program | AFDC Program |
|---|---|
| Within 60 days of receipt of a request for a fair hearing, the State agency shall ensure that the hearing is conducted, a decision is reached, and the household and local agency are notified of the decision. | Prompt, definitive, and final administrative action including issuance of benefits must be taken within 90 days of the hearing request. |

**RECOMMENDATION #3:** FNS should adopt AFDC policy requiring implementation of hearing decision within 90 days from request for hearing.

## 4. TIME FRAMES WITHIN FAIR HEARING PROCESS

| Food Stamp Program | AFDC Program |
|---|---|
| A client may appeal any action by the State or any loss of benefits which occurred in the prior 90 day period.<br>A State level hearing must be conducted, a decison reached, and the household and the local agency notified within 60 days of the request. Benefits, if appropriate, must be issued within 10 days of the decision.<br>If a local level hearing is held first, the local agency must conduct the hearing, reach a decision, notify the household, and issue benefits, if appropriate, within 45 days of the request for hearing. This action may be appealed to the State which has an additional 45 days to conduct the hearing, reach a decision, notify the household and the local agency, and issue benefits. | A client may appeal any action by the State or any loss of benefits which occured in a reasonable prior period established by the State not to exceed 90 days.<br>The State must ensure that a hearing will be conducted, a decision reached, the household and local agency notified, and benefits issued within 90 days of the request for hearing. |

**RECOMMENDATION #4:** Adopt AFDC policy that requires the State to establish a reasonable time frame not to exceed 90 days during which a household may obtain a hearing decision, and receive any benefits to which it may be entitled.

## 5. VERIFICATION REQUIREMENTS AT APPLICATION

| Food Stamp Program | AFDC Program |
|---|---|
| Mandatory verifications include: | Mandatory verifications include: |
| Gross non-exempt income;<br>Alien status;<br>Utility expenses;<br>Medical expenses;<br>Social Security numbers;<br>Residency;<br>Identity of applicant; and<br>Questionable information. | Social Security numbers.<br>Optional verifications are left to State discretion. |
| Optional verifications include:<br>Any other factor that affects eligibility or benefit level; and<br>Error prone profile data. | |
| Food Stamp regulations further require the State to deny benefits to the household for failing to verify:<br>Income;<br>Residency; or<br>Identity. | AFDC regulations require that no benefits be paid on behalf of an individual who has not complied with the Social Security requirements. The State has the discretion to impose other requirements. |
| Food Stamp regulations further require the State to take the following actions if the household fails to comply with optional verification requirements or fails to clarify questionable information:<br>Deny household for failing to provide resource verification;<br>Deny household for failing to clarify questionable information except for expenses in which case the State shall accept only the verified portion;<br>Deny individual for failing to provide verification of citizenship or legal alien status;<br>Deny separate household status for failure to provide verification of household composition; and | |

| Food Stamp Program | AFDC Program |
|---|---|
| Disallow shelter deduction for failure to provide verification of shelter expenses. | |

**RECOMMENDATION # 5:** FNS should adopt AFDC policy permitting the State to establish verification requirements and procedures. This policy would allow States to impose conditions on applicants and recipients that are consistent with federal statute and are necessary for the efficient administration of the program. Such a policy would recognize that States are fiscally accountable to the federal government for erroneous program expenditures and therefore will establish verification requirements that are related to program needs and performance.

The recently enacted Food Security Act of 1985 provides the States with the necessary authority to simplify verification requirements. The Secretary should ensure that the implementing regulations do not prevent States from making the requirements of the AFDC and Food Stamp programs the same.

## 6. VERIFICATION REQUIREMENTS FOR RECERTIFICATION/REDETERMINATION

| Food Stamp Program | AFDC Program |
|---|---|
| Mandatory verifications include:<br>Questionable information;<br>Income;<br>Medical expenses;<br>Utility expenses if claiming actual expenses and source has changed or amount has changed by more than $25; and<br>Newly acquired Social Security numbers. | Verification requirements are left to State discretion. |
| Optional verifications include:<br>Any other factor that would affect eligibility or benefit level. | |

**RECOMMENDATION #6:** FNS should adopt AFDC policy permitting States to establish verification requirements for recertifications of eligibility. The recently enacted Food Security Act

**RECOMMENDATION #6 (cont.)** of 1985 provides the States with more discretion in establishing verification requirements. The Secretary should ensure that the implementing regulations allow the States the discretion to make the two programs the same.

## 7. VERIFICATIONS ASSOCIATED WITH MONTHLY REPORTING

| Food Stamp Program | AFDC Program |
|---|---|
| Mandatory verifications include:<br>Gross non-exempt income except for unchanged unearned income;<br>Utility expenses if claiming actual expenses;<br>Medical expenses;<br>Alien status, if changed;<br>Social Security numbers, if changed;<br>Residency, if changed;<br>Citizenship, if changed; and<br>Questionable information.<br>Optional verifications include:<br>Any other information on the monthly report.<br>Food Stamp regulations further require the State to take the following actions against the household for failing to provide mandatory verifications:<br>Terminate household for lack of income verification;<br>Disallow utility and medical deductions for lack of verification;<br>Act on other reported information that is not verified only if benefits will decrease.<br>Food Stamp regulations further require the State to act on unverified reported information that needs optional verification only if the benefits will decrease. | Verification requirements are left to State discretion. |

**RECOMMENDATION #7:** **FNS should adopt AFDC policy permitting States to establish verification requirements associated with monthly reporting systems.** The recently enacted Food Security Act of 1985 provides the States with more discretion in establishing its own verification requirements. The Secretary should ensure that the implementing regulations do not prevent the States from making their AFDC and Food Stamp MRRB verification requirements the same.

## 8. VERIFICATION STANDARDS

| Food Stamp Program | AFDC Program |
|---|---|
| Documentary evidence is the primary source of verification. Households have primary responsibility for providing documentary evidence. The State agency must offer assistance if the household cannot provide or would have difficulty providing documentation.<br>Collateral contacts are considered secondary sources of information and may be used in the absence of documentary evidence. The household must designate the collateral contact. The State may designate the contact if the household fails to do so. The household must be notified prior to the contact. The State agency has primary responsibility for contacting the third party.<br>Home visits may be used only if documentary evidence is insufficient and must be scheduled with the household in advance. | Verification standards are left to State discretion. |

**RECOMMENDATION #8:** **FNS should adopt AFDC policy permitting States to establish verification standards.** The recently enacted Food Security Act of 1985 provides the States with more discretion in establishing their own verification requirements. The Secretary should ensure that the implementing regulations do not prevent the States from making the Food Stamp and AFDC verification requirements the same.

## 9. RECIPIENT NOTICE REQUIREMENTS

| Food Stamp Program | AFDC Program |
|---|---|
| Food Stamp regulations mandate specific notices for specific events. The content of the notices and the time frames for sending them are specified in the regulations. The most frequently used notices include:<br>Notice of Eligibility;<br>Notice of Denial;<br>Notice of Pending Action;<br>Notice of Adverse Action;<br>Notice of Expiration;<br>Notice for Failure to File Monthly Report; and<br>Notice for Filing Incomplete Monthly Report. | AFDC regulations require that a timely notice must be sent whenever the State intends to reduce, suspend, or terminate benefits. The State may send adequate notice in specified circumstances. Adequate notices must be provided whenever applications are approved or denied. |
| Two notices must be sent to the recipient for failing to file a monthly report or for filing an incomplete monthly report. | One notice must be sent to the AFDC recipient in the parallel situation. |
| Recipients must be given or mailed a change report form at certification or recertification and each time the recipient reports an interim change. | No parallel requirement exists in AFDC. |
| The Food Stamp regulations require a multilingual summary of the purpose of the notice and a telephone number to call for more information. | No parallel requirement exists in AFDC. |

**RECOMMENDATION #9:** Congress should specifically adopt the same general notice requirements for the AFDC and Food Stamp programs. Statutory requirements need to be clarified. Because of various court decisions, many States must issue complicated notices that are often several pages long. These notices include copies of budget computations, grant calculations, and multi-page determinations of overpayment amounts.

The States recognize that the recipients' due process rights must be protected but the notices currently required go beyond due process. Notices of adverse action should contain the date of the notice, the intended action, the reason for the action, a policy citation supporting the action, the effective date of the action, and the appropriate appeal rights. Recipients should also be advised that supporting documentation is available upon request.

## 10. APPLICATION REQUIREMENTS

| Food Stamp Program | AFDC Program |
|---|---|
| Food Stamp regulations require that benefits are issued within 30 days from the date the application is filed. For expedited applications, benefits must be issued in most cases no later than the fifth day following the date of application. | AFDC regulations require that benefits are issued within 45 days from the date the application is filed. All other application requirements are general in nature, specifying minimum standards such as explaining recipient rights and responsibilities, acting promptly, and substantiating determinations of eligibility with facts. |
| The Food Stamp regulations mandate particular actions for the following situations:<br>Authorized representatives;<br>Application form;<br>Filing an application;<br>Household cooperation;<br>Interviews;<br>Mandatory verifications;<br>Optional verifications;<br>Sources of verifications;<br>Responsibility for obtaining verifications;<br>Verifications subsequent to initial application;<br>Changes during application process;<br>Denying the application;<br>Delays in processing;<br>Expedited service; and<br>Joint Food Stamp/public assistance applications. | |
| The Food and Nutrition Service must design or approve the application form. | No parallel provision exists in AFDC regulations. |
| Applicants must be interviewed in the office (unless waived by the applicant) and advised of their rights and responsibilities. | No parallel provision exists in AFDC regulations. |
| If applicant fails to appear for the first interview, the State must attempt to schedule a second inter- | AFDC regulations permit the State to deny the application if the recipient fails to keep an appoint- |

| Food Stamp Program | AFDC Program |
|---|---|
| view regardless of whether the applicant had good cause for missing the interview. | ment. No other State action is required. The recipient has appeal rights. |
| The State must conduct a single application interview for joint Food Stamp/public assistance households. | No parallel provision exists in AFDC regulations. |
| For delays caused by the household, the State must give the household an additional 30 days to take the required action. | No parallel provision exists in AFDC regulations. |
| If a notice of denial is sent based on the household's failure to take the required action and the household takes the required action within 60 days following the original date of application, the State must reopen the case without requiring a new application. | No parallel provision exists in AFDC regulations. |

**RECOMMENDATION #10:** **Congress should simplify the application requirements of the Food Stamp program to more closely parallel those of the AFDC program while retaining the requirement for expedited service and the requirement to provide benefits within 30 days. States should be required to provide benefits within a specified time frame but they should also be given the flexibility to develop administrative procedures that meet their individual needs. Such a change would permit States the maximum opportunity to coordinate AFDC and Food Stamp application requirements.**

## 11. RECERTIFICATION AND REDETERMINATION REQUIREMENTS

| Food Stamp Program | AFDC Program |
|---|---|
| Recertifications are required at the end of the certification period which is established by the State in accordance with Food Stamp rules. Households in a monthly reporting system must have certification periods no shorter than six months. All households must have certification periods no longer than | Redeterminations of eligibility are required no less frequently than once every 12 months. |

| Food Stamp Program | AFDC Program |
|---|---|
| twelve months. Households must reapply no later than the 15th day of the final month of the certification period. | |
| Recertifications must include a face-to-face interview in the office unless waived for cause. Home interviews can only be conducted in conjunction with a public assistance interview or with the express authorization of the household. | No parallel provision exists in the AFDC regulations. |
| The State has no authority to schedule a recertification before the last month of the certification interview. If it schedules such an interview, it can not terminate the household for failing or refusing to participate in the interview. | The State has the authority to conduct a redetermination of eligibility at any time one would be warranted based on the household's circumstances. |
| The Food Stamp regulations require specific recertification forms and procedures that are similar to the certification requirements. | Redetermination forms and procedures are left to the discretion of the State. |

**RECOMMENDATION #11:** **Congress should simplify the recertification requirements of the Food Stamp program to more closely parallel those of the AFDC program.** States should have the authority to conduct eligibility interviews at any time during the certification period if continued eligibility appears questionable. The State should have the flexibility to establish its own recertification forms and procedures and should be allowed to conduct interviews in the home provided that its policies are reasonable, do not impede the eligibility determination process, and do not erect administrative barriers specifically designed to deny or reduce benefits.

States should also be permitted to accept as a recertification a request for continuation of benefits that is made no later than the last day of the certification period.

## 12. CHANGES IN CIRCUMSTANCE

| Food Stamp Program | AFDC Program |
|---|---|
| Households in a monthly reporting system are not required to report interim changes. All other households are required to report certain changes as opposed to all changes. | All households must report promptly any change that affects eligibility or benefit levels. |
| New household members are considered a change in circumstance with their needs being considered from the first of the month following the month of reported change. No application is is required. Income is treated retrospectively except for serious hardship cases. | New household members are treated prospectively for two months from date of application. Prospective income of the new member is combined with retrospective income of other household members. |

**RECOMMENDATION #12:** **Congress should require all recipients other than those in monthly reporting systems to report promptly all changes that affect eligibility or benefit levels. Written requests should be required to add new household members. The needs and income of the new household member should be treated prospectively for the first two months unless the individual had income that was deemed retrospectively to the assistance unit in the preceding month.** Such a change would allow States to process routine changes in both programs in the same way.

## 13. QUALITY CONTROL PROGRAM

| Food Stamp Program | AFDC Program |
|---|---|
| The Food Stamp program employs a Quality Control program that uses different rules than those used in the AFDC program. | The AFDC program employs a Quality Control program that uses different rules than those used in the Food Stamp program. |
| As currently constructed, the QC program unfairly penalizes States by imposing fiscal sanctions that are inequitably applied. | As currently constructed, the QC program unfairly penalizes States by imposing fiscal sanctions that are inequitably applied. |

**RECOMMENDATION #13:** **Congress should reform the Quality Control programs in both the AFDC and Food Stamp programs.**

## NON-FINANCIAL ELIGIBILITY FACTORS

### 14. STRIKER POLICY

| Food Stamp Program | AFDC Program |
|---|---|
| Strikers are eligible to participate in the program but only if they would have been eligible prior to the strike. Benefits cannot be increased based on a reduction in income caused by the strike. | Strikers are ineligible for any month if they are striking on the last day of that month. If striker is parent-caretaker, the whole family is ineligible. |

**RECOMMENDATION #14:** Congress should treat strikers the same in both programs by requiring that eligibility be determined based on pre-strike income. There appears to be no programmatic reason for having two different policies. Such a change would enhance the States' ability to process AFDC and Food Stamp cases in the same way.

### 15. ALIEN STATUS

| Food Stamp Program | AFDC Program |
|---|---|
| The Food Stamp program specifically defines which aliens are eligible to participate in the program and does not include aliens residing in the United States under color of law. | The AFDC program specifically defines which aliens are eligible to participate and includes aliens residing in the United States under color of law. |
| When verification of eligible alien status is subsequently received, the State must add the alien member to the Food Stamp household beginning with the month following the month the verification is received. | Payments to eligible aliens may begin from the date of application. |

**RECOMMENDATION #15:** Congress should make the definition of alien in both programs identical, clarifying or eliminating the term "under color of law." States should have the option of beginning payments to aliens at the same time in both programs. These changes would facilitate joint processing of AFDC and Food Stamp cases.

# FINANCIAL ELIGIBILITY FACTORS

## 16. RESOURCE LIMITS

| Food Stamp Program | AFDC Program |
|---|---|
| A household is permitted to have assets worth $1500. Households of two or more are permitted to have assets worth $3000 if one of the household members is at least 60 years of age.<br>The recently enacted Food Security Act of 1985 raised these limits effective May 1986 to $2000 for each household or $3000 for any household that consists of or includes a person who is at least 60 years old. | A household is permitted to have assets worth $1000. |

**RECOMMENDATION #16:** Congress should amend the Social Security Act to permit the States to allow AFDC recipients to retain assets equal to the Food Stamp limit.

## 17. VEHICLES

| Food Stamp Program | AFDC Program |
|---|---|
| Households are permitted to have one automobile with a fair market value no greater than $4500. Additional vehicles are treated under different rules. | Households are permitted to have one automobile with an equity value no greater than $1500. |

**RECOMMENDATION #17:** Congress should allow all households to have one automobile or, if this is not feasible, should allow all households to have one automobile whose equity value in excess of $4500 would be applied to the resource limit.

## 18. LIFE INSURANCE

| Food Stamp Program | AFDC Program |
|---|---|
| The cash value of life insurance policies is exempt. | The cash value of life insurance is considered a liquid asset. |

RECOMMENDATION #18: Congress should exempt from consideration the value of life insurance policies. State experience indicates that the vast majority of AFDC recipients do not have life insurance policies whose value would make them ineligible. The administrative burden and expense involved in verifying this factor is not cost effective.

### 19. TRANSFER OF ASSET POLICY

| Food Stamp Program | AFDC Program |
|---|---|
| Food Stamp regulations prohibit participation in the program if a countable asset is transferred for less than fair market value during the three months prior to application or during the certification period. A household may be disqualified for up to one year for this reason. | No parallel provision exists in the AFDC program. However, the regulations do not preclude a State from establishing its own transfer of asset policy. |

RECOMMENDATION #19: Congress should amend the Food Stamp Act to permit State flexibility in developing transfer of asset policy to coincide with its AFDC policy.

### 20. PREPAID BURIAL PLANS

| Food Stamp Program | AFDC Program |
|---|---|
| Prepaid burial plans with an obligation to repay withdrawals are exempt from consideration. If there is no obligation to repay a withdrawal, the equity value of the prepaid plan is treated as a resource. | Bona fide funeral agreements with an equity value not in excess of $1500 for each member of the household are exempt from consideration. |

RECOMMENDATION #20: Congress should amend the Food Stamp Act to exempt bona fide funeral agreements with an equity value not in excess of $1500 for each member of the household.

## TREATMENT OF INCOME

### 21. STUDENT GRANTS, SCHOLARSHIPS, AND LOANS

| Food Stamp Program | AFDC Program |
|---|---|
| Student grants, scholarships, and loans | Student grants, scholarships, and |

| Food Stamp Program | AFDC Program |
|---|---|
| are considered as income to the extent that the value exceeds direct educational costs.<br>The recently enacted Food Security Act of 1985 makes additional changes in this area which widen the differences between the AFDC and Food Stamp programs. | loans are disregarded if they are administered by the United States Department of Education. |

**RECOMMENDATION #21:** Congress should amend the Food Stamp Act to disregard student grants, scholarships, and loans if they are administered by the United States Department of Education.

## 22. $50 CHILD SUPPORT DISREGARD

| Food Stamp Program | AFDC Program |
|---|---|
| Child support payments that are exempt in the AFDC program are counted as income in the Food Stamp program.<br>The recently enacted Food Security Act of 1985 permits a State to exclude such payments as income in the Food Stamp program provided the State reimburses the Federal government for the estimated Food Stamp cost that would be incurred by doing so. | The first $50 of current child support payments is exempt income in the AFDC program. |

**RECOMMENDATION #22:** Congress should exempt as income any child support payment received by a food stamp recipient to the same extent that such income is disregarded in the AFDC program. Such a change would simplify the administration of the Food Stamp program and provide incentives for absent parents to make child support payments.

## 23. WORK EXPENSE DISREGARD

| Food Stamp Program | AFDC Program |
|---|---|
| Gross earned income is reduced by 18% to acknowledge expenses of employment.<br>The recently enacted Food Security Act of 1985 raised this percentage to 20%. | Gross earned income is reduced by $75 to acknowledge expenses of employment. |

**RECOMMENDATION #23:** Congress should amend the Social Security Act to reduce gross earned income by 20% to acknowledge expenses of employment. Such a change would simplify the joint administration of the AFDC and Food Stamp programs and would also recognize that the working expenses of AFDC recipients are no less than those of Food Stamp recipients.

## 24. TRAINING ALLOWANCES INCLUDING WIN AND JTPA

### Food Stamp Program

All training allowances, except for those authorized under JTPA, are counted as income.

The recently enacted Food Security Act of 1985 requires that earnings to individuals participating in on-the-job training programs under the Job Training Partnership Act be counted as earned income except for dependants under the age of 19.

### AFDC Program

Training allowances are generally disregarded. JTPA allowances may be counted as income except for minors.

**RECOMMENDATION #24:** Congress should amend the Food Stamp Act and the Social Security Act to count all training allowances the same way for both programs.

## 25. LUMP SUM PAYMENT

### Food Stamp Program

Lump sum payments are not treated as income. They are treated as a resource and applied with all other assets against the resource limit.

### AFDC Program

Lump sum payments are treated as income in the month received. If the payment exceeds the Standard of Need, the payment is divided by the Standard to determine the number of months the household is ineligible. Any income less than the Standard that remains after this division is applied to the family's needs at the point of a subsequent reapplication.

**RECOMMENDATION #25:** Congress should amend the Social Security Act to treat lump sum payments in the AFDC program as a resource in the month received.

## 26. EARNED INCOME OF MINORS IN SCHOOL

| Food Stamp Program | AFDC Program |
|---|---|
| Earned income of minors is disregarded if the minor is in school at least half-time. | Earned income of minor is disregarded if the minor is a full-time student or a part-time student who is not employed full-time. |

**RECOMMENDATION #26:** Congress should amend the Social Security Act to disregard the earned income of minors if the minor is in school at least half-time.

## 27. SELF EMPLOYMENT INCOME

| Food Stamp Program | AFDC Program |
|---|---|
| The Food Stamp program provides specific definitions and procedures for self employment income. Specific exclusions are mandated. | The AFDC program provided general guidance only. Expenses and operating costs related to the production of income are excluded. |

**RECOMMENDATION #27:** Congress should mandate that self employment income be treated the same in the AFDC and Food Stamp programs using the current Food Stamp rules as a model. This change would simplify the administration of both programs and make the policy easier to understand for self employed recipients who receive benefits from both programs.

## 28. COMPLEMENTARY PROGRAMS

| Food Stamp Program | AFDC Program |
|---|---|
| The Food Stamp program generally counts as income State funded program aimed at special needs. | The AFDC program permits the State to disregard the value of State funded programs that are complementary and non-duplicative including supplementation following the loss of employment in a retrospective budgeting system. |

**RECOMMENDATION #28:** Congress should amend the Food Stamp Act to permit States to exclude as income State funded programs aimed at special needs. This change would facilitate joint eligibility determinations and benefit calculations in both programs. It would also encourage States to provide special assistance needs not currently addressed by the AFDC or Food Stamp programs.

# REPORTING REQUIREMENTS

## 29. MONTHLY REPORTING REQUIREMENTS

| Food Stamp Program | AFDC Program |
|---|---|
| The Food Stamp program generally requires all households to report monthly except for migrant farmworkers or households in which there is no earned income and all adult members are elderly or disabled. | The AFDC program requires all households with earned income or with a recent work history to report monthly. The State may require any other household to report monthly. |
| The Secretary may waive this requirement if it is cost effective to do so or if such a waiver promotes compatability with the AFDC monthly reporting requirements. | The Secretary may waive this requirement if it is cost effective to do so. |
| Households in a monthly reporting system cannot be required to report changes outside of the monthly reporting system. | Households in a monthly reporting systems must report all changes promptly irrespective of their monthly reporting obligation. |
| The monthly report form cannot be used in lieu of a recertification although an "addendum" form in conjunction with the monthly report may be employed for this purpose. | With federal approval, the monthly report may be used in lieu of a redetermination. |
| The Food Stamp program regulates in great detail the operational aspects of monthly reporting systems. | The AFDC program provides general instructions for the operation of monthly reporting systems. |
| The recently enacted Food Security Act of 1985 changed the mandatory reporting populations to more closely parallel those of the AFDC program and grants the Secretary the authority to waive those requirements if cost effective to do so. | |

**RECOMMENDATION #29:** Congress should amend the Food Stamp Act and the Social Security Act to make monthly reporting systems optional. States should be permitted to use such systems at their discretion to operate accurate and cost effective programs. They should also have the flexibility to design optional monthly reporting systems that best suit their administrative and operating structures. The current waiver process is both cumbersome and time consuming.

### 30. FAILURE TO REPORT EARNED INCOME

| Food Stamp Program | AFDC PROGRAM |
|---|---|
| If a household fails to report earned income and, as a result, receives benefits to which it was not entitled, the State must file a claim against the household unless the household was not required to report the change, i.e., a change less than $25. | If a household fails to report earned income without good cause, the household is not entitled to the earned income work expenses, disregards, or child care expenses when the State subsequently determines the correct benefit amount. |

**RECOMMENDATION #30:** Congress should amend the Food Stamp Act to penalize households that fail to report earned income by denying them the 20% disregard and child care expense disregard for any month in which they fail to report earned income. Such a change would encourage households to report earned income and would make the policies of the AFDC and Food Stamp program similar.

### 31. REPORTING SMALL CHANGES

| Food Stamp Program | AFDC Program |
|---|---|
| Changes in income of less then $25 need not be reported. All other changes must be reported within 10 days of the date the change becomes known to the household except that households in a monthly reporting system may report such a change on the monthly report even if the report is due after the 10 day period. | Households must report promptly all changes that affect eligibility or benefit amount. |

**RECOMMENDATION #31:** Congress should amend the Food Stamp Act and the Social Security Act to provide that all changes that affect eligibility or benefit amount must be reported promptly. This requirement would be met if such changes were reported on the first monthly report submitted after such a change.

## WORK REQUIREMENTS

### 32. WORK REGISTRATION EXEMPTIONS

| Food Stamp Program | AFDC Program |
|---|---|
| In general, the following persons are | In general, the following persons |

| Food Stamp Program | AFDC Program |
|---|---|
| exempt from work registration requirements: | are exempt from work registration requirements: |
| A person younger than 18 or older than 59; | A person younger than 16 or older than 64; |
| A person physically or mentally unfit for employment; | A person who is ill or incapacitated; |
| A person who is responsible for a dependent child under the age of six; | A person who is responsible for a dependent child under the age of six, except in community work experience programs where, at State option, the age limit can be lowered to three if appropriate child care is secured. |
| A student between the ages of 18 and 60 if responsible for a dependent child who has reached age six but is under age 12 if the State has determined that adequate child care is not available; | A student who is at least 16 but under 18 (or 19 if the State covers 18 year old dependents in its State Plan) who is attending elementary or secondary school or a vocational or technical school that is equivalent to a secondary school; |
|  | A parent or caretaker if the second parent or another adult relative in the home is registered. |

**RECOMMENDATION #32:** Congress should adopt similar work exemption requirements for both programs. No person who is at least 59 should be required to participate in work programs. States should have the option of requiring work registration for persons who care for dependents over the age of three unless otherwise exempt. The Food Stamp program should retain the exemption for students who are otherwise eligible for the Food Stamp program but who do not meet the age requirements of the AFDC program.

## 33. DISQUALIFICATION PERIODS AND GOOD CAUSE

| Food Stamp Program | AFDC Program |
|---|---|
| The Food Stamp program imposes a disqualification period of two months for failing to comply with the work requirements. | The AFDC program generally imposes a period of disqualification of up to three months for failing to comply with the work requirements. |

| Food Stamp Program | AFDC Program |
|---|---|
| The State must determine if the recipient had good cause for failing to comply. The good cause requirements are not identical to those used in the AFDC program. | The State must determine if the recipient had good cause for failing to comply. The good cause requirements are not identical to those used in the Food Stamp program. |

**RECOMMENDATION #33:** Congress should amend the Food Stamp Act and the Social Security Act to allow States to develop comprehensive work and training programs for the Food Stamp and AFDC programs. States should be allowed to develop consistent definitions and sanctions for these programs.

The recently enacted Food Security Act of 1985 provides the Secretary with broad authority to allow the States to develop work programs. The Secretary should ensure that the implementing regulations embrace the intent of this recommendation.

## FEDERAL FINANCIAL PARTICIPATION

### 34. INCENTIVES TO COMBAT FRAUD

| Food Stamp Program | AFDC Program |
|---|---|
| The Food Stamp program provides 75% reimbursement for administrative costs expended to reduce fraud. | The AFDC program provides no fiscal incentive to reduce fraud. |
| The Food Stamp program permits a State to retain 25% of collections relating to overissuances caused by recipient error and 50% of collections relating to overissuances caused by fraud. | The AFDC program permits a State to retain only its share of the collected overpayment. |

**RECOMMENDATION #34:** Congress should amend the Social Security Act to increase federal financial participation in the AFDC program for administrative costs associated with the reduction of fraud. States should be given fiscal incentives to recover overpayments caused by recipient error.

# CATEGORICAL ELIGIBILITY

## 35. ELIGIBILITY DETERMINATIONS

Since the enactment of the Food Stamp Act of 1977, eligibility rules and benefit calculations for all participating households have been the same. Generally, no special consideration is given to recipients of other means-tested programs. This policy ensures that all households are treated the same but it requires State and local agencies to determine Food Stamp eligibility for low income households who have already met rigorous eligibility tests employed by other programs.

Low income households whose members receive AFDC, SSI, or General Assistance must be separately determined eligible for Food Stamps which, in most instances, increases the administrative burden of State and local agencies with no corresponding benefit to the Food Stamp program.

The recently enacted Food Security Act of 1985 authorizes categorical eligiblity for households in which all members receive AFDC or SSI. The Secretary must report to the Congress on the effect of the new provision within two years after enactment.

RECOMMENDATION #35: **Congress should also establish categorical eligibility for households in which all members receive AFDC, SSI, or General Assistance benefits provided that the State has shown to the Secretary's satisfaction that its General Assistance program is no less restrictive than the Food Stamp program.** Continued eligibility would be governed by the AFDC, SSI, or General Assistance programs, as appropriate, and such households would not have to be separately recertified for Food Stamps.

## 36. STANDARDIZED BENEFITS

Categorical eligibility, in and of itself, will not achieve maximum administrative simplicity nor will it eliminate the complex Food Stamp rules for calculating household benefits. In conjunction with categorical eligibility, States should have the flexibility to standardize benefits for households in which all members receive AFDC, SSI, or General Assistance benefits.

The recently enacted Food Security Act of 1985 authorizes the Secretary to permit States, upon request, to operate programs that would standardize benefits for households in which all members receive AFDC, SSI, or Medicaid in accordance with statutory guidelines. There could be no more than five statewide programs and five local programs in operation at any one time.

RECOMMENDATION #36: **Congress should also permit States to standardize Food Stamp benefits for households in which all members receive AFDC, SSI, Medicaid, or General Assistance benefits provided that the State has shown to the Secretary's satisfaction that its General Assistance program is no less restrictive that the Food Stamp program.**

## PREPARED STATEMENT OF BEVERLEY GALE LUCAS, MEMBER, BOARD OF DIRECTORS, NATIONAL ELIGIBILITY WORKERS ASSOCIATION

Mr. Chairman and Members of the Committee, on behalf of the Board of Directors of the National Eligibility Workers Association, I would like to thank you for the opportunity to speak on the obstacles to welfare simplification.

I have been a Economic Service Worker with the West Virginia Department of Human Services for over eleven years. I am also a member of the Board of Directors of the National Eligibility Workers Association(NEW) on whose behalf I am testifying today.

In the state of West Virginia, the majority of Economic Service Workers are generic. By generic I mean that we are responsible for applying policies in the programs of Aid to Families with Dependent Children(AFDC), Aid to Families with Depaendent Children/Unemployed(AFDC/U), Food Stamps(FS), Medical Assistance Only(MAO), Low Income Energy Assistance Program(LIEAP), the Homeless Program, and the state administered programs of General Assistance for Disabled Adults(GA for DA), Emergency Assistance(EA), Transportation Remuneration Incentive Program(TRIP), Tel-Assistance and the application for, and distribution of, commodities. As generic workers, we have first-hand knowledge of how difficult it has become to keep the various eligibility requirements of each program in perspective and applied properly.

Due to the limited time, I have brought copies of manual materials covering three areas that demonstrate the problems that workers encounter. The first example, labeled Exhibit A, concerns the food stamp household composition. In the beginning, it does not look to difficult. Anyone who custimarily buys and prepares their food together is considered a household. It also says that parents and children in the same household will be considered as one household regardless of the actual eating arrangements UNLESS someone is disabled or aged OR disabled and aged. What happens then is the worker must figure out which one of three ways the income is to be computed and the household is to be determined. NEW has supported a definition of household for food stamps that says anyone living under one roof would be considered one budget group. There would be two allotment tables with the higher allotments going to the household that has a elderly or disabled individual in it. This could easily fit into our current automated system of calculations.

Along the same line, please refer to Exhibit B. This is the Deficit Reduction Act of 1984(DEFRA). You will note that this is a memorandum and is dated October 5, 1984. We have had 89 manual changes since October, 1984 yet DEFRA is not in the manual. Why not? Because the DEFRA regulations have not been finalized. What we have is a 1800 page manual, much of which has been replaced since 10/84, superceded by this 13 page memo.

The last exhibit is a very recent change and is marked Advance on the top. What is interesting about this example is the fact that we have two shelter/utility maximums. This is a food stamp deduction that shows that the federal regulations cannot just make a change. No, there has to be a level used for those cases opened after 10/1/87 and a different level for those cases opened before 10/1/87. Why? I can't figure that one out.

There seems to be no co-ordination what-so-ever between the two agencies charged with writing the federal regulations. If these agencies could compromise on related policies worker frustration levels would drop along with the error rates. There needs to be something done in the areas of vehicle policy, resource levels, income computations, and assets. Personally, I would like to see legislation changed to bring the federal match on Economic Service workers up to the Social Service level and to see client errors removed from the state error rate. I would also like to see policies such as DEFRA that are not finalized not implemented until they are final. States were threatened with sanctions for not enacting DEFRA promptly and now the courts are going to decide if the policy is legal. If the household composition part of DEFRA is overturned and we have to give retroactive benefits to all of the households that we closed or reduced, our state is going to be in financial danger.

I would like to thank the Committee for this opportunity to present a workers perspective and hope that something can be done to streamline these programs so that a maximum of service with a minimum of errors can take place.

This concludes my testimony and I will be glad to answer questions on any of the problems that I have mentioned or on related areas.

EXHIBIT A

B. Who May Be Excluded from the Benefit Group

Any adult may choose to be excluded from the benefit group with the exception of the unemployed or incapacitated parent. This also applies to the parent who is included in the benefit group as a blind or disabled individual when the child(ren)'s categorical relatedness to AFDC is based on his incapacity.

The parent or specified relative may choose to have any child excluded from the benefit group.

If a parent or legal spouse is excluded from the benefit group, his income and assets are deemed to the other members of the benefit group in accordance with instructions in Chapters 3,000 and 4,000.

C. Who Cannot Be Included in the Benefit Group

1. An individual who is receiving SSI benefits cannot be included in the MAO benefit group.

2. The individual(s) who has failed to comply with the eligibility requirement of enumeration must be excluded from the benefit group. Refer to Section 2,930.

3. The caretaker relative and his spouse who are not parents of dependent children and who fail without good cause to apply for and accept a potential resource for which he may be eligible. Refer to Chapter 1,000.

4. The spouse or father of the unborn child and any blood-related siblings whose income/assets were considered when determining the Medicaid eligibility of a qualified pregnant woman, unless they are eligible in their own right.

2,513 The Food Stamp Benefit Group

A. Who Must Be Included

A Food Stamp benefit group may be composed of any of the following individuals or groups of individuals, provided that such individuals or groups are not residents of institutions or boarding houses (Refer to Chapter 5,000).

A separate household cannot be established for spouses of a member of household. In addition, parents and children (including stepchildren) who live together will be considered to purchase and prepare their meals together even if they do not do so unless one of the parents is "elderly or disabled." In addition, siblings (natural, adopted, halfbrothers/sisters and stepbrothers/sisters) who live together will be considered to purchase and prepare their meals together even if they do not do so unless one of the siblings is "elderly or disabled." See item 4 below for more details. See Chapter 5,000 for the definition of "elderly or disabled" for the Food Stamp Program.

If separate household status is granted based on the above provision, eligibility is determined separately for each of the benefit groups. There is no requirement that each of the separate benefit groups apply for, be eligible for, or receive Food Stamps in order to maintain the separate household status.

An individual cannot be a member of more than one Food Stamp benefit group in any month, except as described in Chapter 5,000 (shelters for battered women and children). See Chapter 3,000 for examples.

1. An individual living alone.

2. An individual living with others but customarily purchasing food and preparing meals for home consumption separate and apart from the others. Customarily purchasing and preparing food separately means that during the certification period the client actually purchases and prepares his food separately from the others in the household except for an occasional shared meal. This occasional sharing of food will not interfere with the separate household status.

   EXCEPTION: Parents and children who live together will be considered to purchase and prepare their meals together even if they do not do so, unless one of the parents is "elderly or disabled" as defined in Chapter 5,000. This also applies to siblings who live together unless one sibling is "elderly or disabled" as defined in Chapter 5,000. See item 4 below.

3. A group of individuals living together for whom food is customarily purchased in common and for whom meals are prepared together for home consumption.

   See exception in item 2 above and item 4 below.

4. Special definition involving items 2 and 3 above. The following individuals living with others or groups of individuals living together must be considered as customarily purchasing food and preparing meals together even if they do not do so:

   a. A spouse. For these purposes, spouse refers to either of two individuals:

      (1) who are married to each other under state law; or

      (2) who are living together and are holding themselves out to the community as husband and wife by representing themselves as such to relating friends, neighbors or tradespeople.

   b. Children under 18 years old under the parental control of an adult benefit group member.

   c. Parents living with their natural, adopted or stepchildren and such children living with such parents unless at least one parent is elderly or disabled as defined in Chapter 5,000. If at least one parent is elderly or disabled, separate household status may be granted to the parents or children, provided they do customarily purchase food and prepare meals separately and spouses are not separated from each other into different benefit groups (item a above) and children as specified in item b above are not separated from their parents into different benefit groups.

   d. Siblings (natural, adopted, half or stepbrothers and sisters) living together, unless at least one sibling is elderly or disabled as defined in Chapter 5,000. If at least one sibling is elderly or disabled, separate household status may be granted to the elderly or disabled sibling, provided they do customarily purchase food and prepare meals separately and spouses are not separated from each other into different benefit groups (item a above) and children as specified in item b above are not separated from their parents into different benefit groups.

#217

5. Special definition involving item 3 above. Although a group of individuals living together and purchasing food and preparing meals together constitutes a single benefit group under item 3 above, an individual who meets all of the following criteria may have himself/herself and spouse considered a separate Food Stamp benefit group:

   a. At least 60 years old and

   b. is unable to purchase and prepare meals. He must be unable to purchase and prepare meals because he suffers from a disability listed below or suffers from some other severe, permanent physical or mental disease or non-disease-related disability.

      (1) Permanent loss of use of both hands, both feet, or one hand and one foot.

      (2) Amputation of leg at hip.

      (3) Amputation of leg or foot because of diabetes mellitus or peripheral vascular diseases.

      (4) Total deafness, not correctable by surgery or hearing aid.

      (5) Statutory blindness, except if due to cataracts or detached retina.

      (6) IQ 59 or less, established after attaining age 16.

      (7) Spinal cord or nerve root lesions resulting in paraplegia or quadriplegia.

      (8) Multiple sclerosis in which there is damage of the nervous system because of scattered areas of inflammation which recurs and has progressed to varied interference with the function of the nervous system, including severe muscle weakness, paralysis and vision and speech defects.

      (9) Muscular dystrophy with irreversible wasting of the muscles with a significant effect on the ability to use the arms and/or legs.

#287

(10) Impaired renal function due to chronic renal disease (documented by persistent adverse objective findings) resulting in severely reduced function which may require dialysis or kidney transplant.

(11) Amputation of a limb, current age 55 or older.

and

c. The gross income of the others with whom the individual resides (excluding the individual's own income and the income of the spouse) cannot exceed the amount shown in Chart 3 of Appendix B of this Chapter. The individual and spouse are not to be included in the total count of those residing together when comparing gross income to Chart 3. Only income not normally excluded from consideration for the Food Stamp Program (See Chapter 3,000) is to be used to determine the gross income to be compared to Chart 3.

The individual who meets these three requirements and the spouse may be a separate benefit group even if living and eating with others. However, the client will be responsible for providing verification of eligibility for separate benefit group status if the Worker believes information provided by the client is questionable as defined in Chapter 1,000. If the claimed disability is questionable, the client is required to provide a statement from a physician or licensed or certified psychologist certifying that the individual is unable to purchase and prepare meals due to one of the conditions specified in item b above or due to some other severe, permanent physical or mental disease or non-disease related disability. The Department will not pay any cost involved in obtaining this statement. The client is also responsible for obtaining the cooperation of the other persons in the home in verifying their income.

B. Who May Not Be Included

The following individuals residing with a benefit group will not be considered benefit group members. They are designated as non-household members.

1. Roomers -Individuals to whom a household furnishes lodging for compensation but not meals. These individuals may be a separate benefit group.

2. Boarders - Individuals to whom a household furnishes lodging and meals and who pay a reasonable monthly payment for board. The following individuals cannot be considered boarders and may not constitute a separate benefit group (except as specified in item d).

   a. A spouse of a member of the household;

   b. Children and siblings of a member of the benefit group even if one parent or sibling in the benefit group is "elderly or disabled".

   c. Parents and siblings of a member of the benefit group even if one parent or sibling is elderly or disabled.

   d. Individuals furnished only meals and not residing with the household, regardless of the monthly payment made for these meals. These persons may be a separate benefit group;

   e. Children under age 18 if unemancipated even if at least one parent is "elderly or disabled" as defined in Chapter 5,000.

   f. Individuals furnished meals and lodging but paying less than a reasonable amount. These individuals will be considered as household members.

3. Live-in attendants - Individuals who reside with a household to provide medical, housekeeping, child care or other similar personal services. These individuals may be a separate benefit group. If the live-in attendant is a relative (other than a parent or child) who moved in with the household in order to provide these services, the individual will be considered a live-in attendant. If the relative lived in the household prior to the need for these services or would live with the household whether or not the service were provided, the attendant will be considered to be a member of the household's benefit group.

   NOTE: If the live-in attendant is a parent, child or sibling of a member of the benefit group containing the individual who needs the personal service, the parent/child/sibling policy (Section A) will take precedence over the live-in attendant policy.

#217

4. Ineligible aliens - Individuals who do not meet the citizenship or eligible alien status. These persons are ineligible to participate in the Program and may not be a separate benefit group. When a client indicates inability or unwillingness to provide documentation of alien status, that client will be classified as an ineligible alien. Eligibility of the remaining benefit group members will be determined.

5. Students - Persons who meet the Food Stamp definition of a student are ineligible to participate in the Program and may not be a separate benefit group. Refer to Chapter 5,000 for the definition of a student and for exceptions to the restriction on student participation.

6. Disqualified Individuals - Persons who have been disqualified for IPV (Refer to Appendix A, Chapter 700 and Chapter 70,000) or persons failing to comply with the enumeration requirement (Refer to Section 2,800) are ineligible to participate in the Program and may not be a separate benefit group.

7. Unborn children - The household cannot receive Food Stamps for an unborn child.

8. Employment/Training Sanctioned - Persons against whom a sanction was imposed for failure to comply with employment and training requirements as found in Chapter 5,000. These persons may not be separate households even when living with others not affected by the sanction.

9. Others - Other individuals who share living quarters with the household but who do not customarily purchase and prepare food with the household. These individuals may apply as a separate household except when the parent/child/sibling relationship described in item A exists.

C. Examples of Benefit Group Composition

EXAMPLE 1: Mrs. Jones and her infant daughter live with her parents (both are under age 60). She purchases and prepares food separately from her parents. All household members will be included in one benefit group.

EXAMPLE 2: Mrs. Jones and her infant daughter live with her parents. Her father is 65 years old. She purchases and prepares her food separately from her parents. Mrs. Jones and her daughter will be a separate household.

EXAMPLE 3: Mr. Smith has been laid off. He and his family move in with friends. The friends are providing them all their meals since the Smith's have no income. The SmitH's indicate that the only reason they are not purchasing and preparing their food separately from their friends is that they have no money. Once they receive Food Stamps they will be set up as a separate household. The Worker may set a control to check with the clients after they begin receiving Food Stamps to confirm the situation.

#319

EXAMPLE 4: Same situation as in Example 3 except that the client indicates his family will continue to purchase and prepare food with his friends even after receipt of the Food Stamps. The Smith family and their friends must be in the same benefit group.

EXAMPLE 5: Mr. and Mrs. Smith live with Mr. Smith's 90-year-old mother. They purchase food and prepare meals separately from the elderly mother. Separate household status is granted. The assets of the elderly mother prevent her from being eligible for the Program, but a case is approved for Mr. and Mrs. Smith.

EXAMPLE 6: Mr. and Mrs. Smith live with his elderly and disabled mother. They purchase food and prepare meals together. The elderly and disabled requirements are met (item A, 5 above) so two benefit groups are established -- one for Mr. and Mrs. Smith and one for the elderly mother.

EXAMPLE 7: Mr. Jones lives with his parents (both under age 60) and meets the definition of a boarder. Because of the parent/child relationship, Mr. Jones must be included in the same benefit group with his parents. See items A, 4, c and B, 2 and c above.

D. The Determination of A Boarder

Although boarders are considered as non-household members, they may not receive Food Stamps as a separate household. In order to determine boarder status, it must be determined if the individual pays a reasonable monthly payment for board.

A reasonable monthly payment is defined as one of the following:

1. More than two meals daily - An amount equal to or exceeding the maximum monthly coupon allotment for the appropriate size of the boarder household, or
2. Two meals or less daily - An amount equal to or exceeding two-thirds of the monthly coupon allotment for the appropriate size of the boarder household.

Once it is established that the individual is a boarder, he is to be excluded from the benefit group.

## 2,514 Who Should be Payee

The term "payee" identifies the individual whose name is entered in the case name block of the data systems. Items A, B and C below explain the term for the specific programs and indicate who will be the payee.

EXHIBIT B

#15
Bed

**WEST VIRGINIA**
**DEPARTMENT OF HUMAN SERVICES**

John D. Rockefeller IV
Governor
[redacted]
Commissioner

*Memorandum*

OCT 22 1984

DATE: October 5, 1984

TO: All Economic Service Manual Holders

FROM: Donald H. Roberts, Assistant Commissioner, Division of Economic Services

SUBJECT: Deficit Reduction Act (DEFRA) Changes

This memorandum contains instructions for implementing changes required by the Deficit Reduction Act (DEFRA). These instructions are being released in the form of a memorandum because:

1. The implementation deadline is very short and training time is needed in the Areas.
2. Entire Manual chapters will have to be reprinted due to extensive changes and this printing process has been taking at least a month.
3. Since most of these changes benefit clients, delaying implementation could prove costly in court suits and time-consuming in calculating corrective payments.

The regulations require implementation by 10/1/84. This was impossible. We are implementing effective 11/1/84 with some changes requiring corrective payments back to 10/1/84. Some DEFRA changes are not being implemented with this memorandum. Some of them are state options which we have chosen not to rush into just now but may implement later. One involves negotiations with OCSE not yet worked out. As any decisions are made on these you will be kept informed.

The changes are discussed in detail below by Manual chapter with the affected Manual section noted in the margin. Manual changes are currently being written and will be out to you as soon as possible. We are requesting that questions be submitted in writing so that the answers can be shared with all Areas.

Keep in mind that any benefits due clients affected by these changes may be used to offset any overpayments previously discovered.

I. Chapter 2,000

OCT 23 1984

The changes in this chapter are related to:

- who must be included in the AFDC/U and AFDC/U-related MAO benefit group
- eligibility of aliens for AFDC/U and AFDC/U-related MAO when the sponsor is a public or private agency or organization.

A. Eligibility Requirements for Aliens

For AFDC/U any alien whose sponsor is a public or private agency or organization is ineligible for AFDC/U for three years from the date of the alien's entry into the United States unless the Economic Service Worker has determined that the sponsoring public or private agency or organization is either no longer in existence or is unable to meet the aliens needs. In order to make this determination, the alien must provide documentary evidence that is available to him. It is a condition of eligibility that the alien cooperate with the Department by providing the necessary information and documentation regarding the public or private agency or organization that is reasonably available.

Aliens who are refugees, parolees, political asylees or Cuban/Haitian entries are exempt from this provision.

B. Who Must Be Included in the Benefit Group

natural or adoptive

All eligible parents and eligible dependent children who are living in the same household must be included in the AFDC/U or AFDC/U-related MAO benefit groups. The specified relative can not choose to have any child excluded from the benefit group.

Any parent who is living with an eligible dependent child must also be included in the benefit group. Parent is defined as a natural or adoptive parent. In addition, all blood-related or adoptive brothers and sisters who are living in the same household must be included in the benefit group if otherwise eligible. Stepbrothers and stepsisters are not blood related and, therefore, are not required to be included.

All of the nonexcluded income and assets of individuals required to be included must be considered in determining eligibility and the amount of benefits.

There are certain groups of individuals who are not eligible to be included in the benefit group:

1. Parents and siblings who are recipients of SSI,
2. Parents and siblings who are aliens and are ineligible for AFDC/U because they have been sponsored by a private or public agency or organization or because of the deeming of income from sponsor to alien,
3. Parents and siblings who are aliens and are ineligible for AFDC/U because they do not meet the citizenship and alienage requirements,
4. Parents and siblings who are ineligible for AFDC/U due to the imposition of a sanction.

Caretaker relatives other than natural or adoptive parents can choose to be either included or excluded from the benefit group. If included, their nonexcluded income and assets must be considered.

Examples of who must be included or excluded from the benefit group: 2,130

EXAMPLE 1: Household consists of Mrs. A and her two children. All must be included in the benefit group. She cannot choose to have either child excluded.

EXAMPLE 2: Same as example 1, however, one child receives $200 VA benefits each month. All must be included and the $200 counted as income.

EXAMPLE 3: Household consists of Mrs. B and her two nephews who are blood related siblings. Both children must be included. Mrs. B can choose to be either included or excluded. If she is included, her income must be considered.

EXAMPLE 4: Household consists of Mr. and Mrs. C, their two children, and her child from a previous marriage. Mr. C is employed full time, therefore, he and his children are not eligible to be included. The benefit group will consist of Mrs. C and her child. Mr. C's income will be deemed to the benefit group according to Section 3,811. In addition, Mr. C's assets are considered when determining eligibility since Mrs. C is included in the benefit group. See Section 4,550. 2,511 2,512

EXAMPLE 5: Household consists of Mr. and Mrs. D and their three children. One of the three children receives SSI. The benefit group will consist of Mr. and Mrs. D and the two children who do not receive SSI. The SSI child can not be included in the group and the SSI income will not be considered.

When a caretaker relative applies for AFDC/U or AFDC/U-related MAO, the application must be considered for all individuals who are required to be included. Failure to include an individual who is required to be included or failure to provide the necessary information to establish eligibility will render the entire benefit group ineligible for Quality Control purposes.

Two printouts will be generated from the C-219 to implement this change. They are:

1. all active AFDC/U cases with a "S" coded in Block 88 to indicate a stepparent's income is deemed to the group,

2. all active cases with Block 68 greater than Block 56.

Using these two printouts, the Area must contact the client to explain the change, update the case including W & T registration and referral to OCSE if any of the individuals who must now be included in the group must register for W & T or referral to OCSE.

The changes must be completed by deadline in December for January with corrective payments to 10/1/84.

For AFDC/U-related MAO this provision must be implemented at the next redetermination or client contact, whichever occurs first.

## II. Chapter 3,000

Changes in Chapter 3,000 involve the following areas:

- Increasing the gross income limit to 185% of need. This was previously released in a manual change to be effective 10/1/84 and is not discussed in this memorandum.
- Providing greater flexibility in exclusion of earned income of a dependent child who is a full time student.
- Making agencies or organizations which sponsored aliens responsible for the support of the alien.
- Changing the deeming policy as it applies to deeming from stepparent to spouse.
- Deeming the income of the parent or legal guardian of a minor parent to the minor and the minor's dependent child.
- Continuing the $30 earned income disregard for 8 months after the expiration of the $30 plus 1/3 disregard.
- Extending the $75 standard work deduction to all employed persons regardless of the number of hours employed. NOTE: This does not apply to deemed earned income.
- Counting the EITC only when actually received.

3,220, E, 6
3,320
3,620

### A. Exclusion of Earned Income of a Dependent Child Who Is a Full Time Student (AFDC/U)

Earned income of a dependent child who is a full time student is now excluded from the 185% of need test for up to six months per calendar year.

It is also excluded for six months after the 185% of need test is passed. The six months it is to be excluded are determined the same way they are determined for the six month JTPA exclusion. See Section 3,220, E, 9, b, (2), (b), (i).

This full time student exclusion does not expand the six month limitation on the exclusion of JTPA earnings. Earned income of a dependent child participating in JTPA is still to be disregarded for a maximum of six months for JTPA earnings, not six months for JTPA and an additional six months for the full time student exclusion for the same income source. However, if a full time student previously participating in a JTPA program secures employment unrelated to JTPA, a second six month exclusion is to be established. Therefore, up to twelve months of exclusions are available, but no more than six months for JTPA-related employment and another six months for non-JTPA-related employment.

This provision applies only to dependent children who are full time students with earned income. Earned income of other children is treated according to Section 3,320 as it is currently written.

The policy governing AFDC/U-related MAO remains unchanged.

This policy is effective 11/1/84 for applications with any cases denied between 10/1/84 and 11/1/84 requiring corrective action upon discovery. This policy will be applied to active cases at the next redetermination or client contact, whichever occurs first.

B. Aliens Sponsored by Agencies or Organizations (AFDC/U and C/U-Related MAO)

Any alien whose sponsor is a public or private agency or organization is ineligible for assistance for three years from the date of the alien's entry into the United States, unless the Worker and Supervisor determine that the sponsor is either no longer in existence or has become unable to meet the alien's needs. To make the determination that the sponsoring organization can no longer meet the alien's needs, the Worker will require the alien to submit the following (in writing) from the sponsoring agency.

1. An explanation of the changes that have occurred in the financial situation of the organization which would preclude meeting the alien's needs. If there has been no change, it will be presumed that the organization brought the alien here under false pretenses and the Policy Unit will be notified in writing so that INS can be notified.
2. A complete financial statement (length of time covered to be determined by the Worker) showing income and expenses and a statement as to why the alien's needs cannot be met.

The Worker and Supervisor will make the decision based on the documentation submitted.

These may only be required where it is reasonable to expect the alien to be able to obtain them. If the organization will not cooperate with the alien, the Worker must attempt to obtain the needed documentation. It will be presumed that the sponsor is able to meet the needs of the alien unless proof to the contrary is offered. In the case of a sponsor who is totally uncooperative, contact the Policy Unit in writing with specific details of attempts to obtain the information. The Policy Unit will provide further instructions about eligibility.

All the provisions in Sections 3,840 are still applicable to aliens sponsored by an individual. Numbers 2, 4, 6 of this Section do not apply when the sponsor is an organization and Section B is not applicable since the alien is presumed to be ineligible when sponsored by an organization.

This policy is also applicable to AFDC/U-related MAO.

This policy is effective 11/1/84 for applicants. Active cases will be converted to this policy at the next redetermination or client contact, whichever occurs first. Areas may initiate the contact to apply this policy. Active cases found to be ineligible due to this policy will have overpayments collected according to the policy outlined in the changes to Chapter 70,000 below from 10/1/84 forward through the date of discovery.

3,811, B C. Deeming From Stepparent to Spouse Who is in the Benefit Group (AFDC)

Current policy in Section 3,811, B distinguishes between deeming from the stepparent to the parent and from the stepparent to the stepchildren in the following way: When income is deemed to the parent, the payment level is used to determine the amount deducted for the ineligibles, but, when deeming to the stepchildren, the 100% of need standard is used for the needs of the ineligibles. This change requires the usage of the 100% of need standard to determine the needs of the ineligibles at all times when deeming from the stepparent. The policy regarding deeming from a parent (Section 3,811, A) remains unchanged. The last two sentences in Section 3,811, B will be removed and replaced with the following sentence: "When deeming from the stepparent to the spouse or to the stepchildren, the 100% of need standard is to be used for the needs of the ineligibles." Therefore, the procedures in Section 3,811, B, 1 are incorrect and should be replaced with the procedures in 3,811, B, 2.

The parent will be included in the assistance payment most of the time. (See changes to Chapter 2,000 above). When not included, it will be because of receipt of SSI or due to a penalty situation. Therefore, the parent is not to be included as one of the ineligibles when determining the amount of the stepparent's income to be deemed.

NOTE: See changes below regarding the standard deduction for work expenses when determining the amount of the standard deduction for the stepparent's earned income.

There are no changes in the AFDC/U-related MAO deeming policy regarding stepparents.

This policy is effective 11/1/84 for applications.

A printout will be provided of all cases with an "S" coded in Block 88 to facilitate the conversion of active cases by the deadline date in December for January. Corrective payments are required back to 10/1/84 when appropriate.

3,800, A, 7 D. Deeming to Minor Parents and the Minor's Dependent Child (AFDC/U and C/U-Related MAO)

This new provision requires the deeming of income when a minor (under 18 years of age and never married) parent and the dependent child of this minor parent lives with the minor's parent(s) or legal guardian(s). The income is deemed from the minor's parent(s) or legal guardian(s) to the benefit group whether or not the minor is included for AFDC/U purposes. For AFDC/U-related MAO the minor parent must be included in the benefit group to deem the income.

School attendance by the minor has no effect on this provision. The legal guardian need not meet the definition of specified relative found in Chapter 2,000 in order to have the income deemed.

In determining the amount to be deemed to the benefit group, the instructions currently found in Section 3,811, B, 2 are applicable. The parent(s) or legal guardian(s) of the minor are to have their income deemed in the same way a stepparent's income is deemed. The only difference is that there may be two parents or legal guardians of the minor parent. If this is true, each parent or legal guardian is to have the appropriate earned income deductions applied (Section 3,811, B, 2, a, (1)) and each is to be counted as an ineligible individual in determining the appropriate standard of need (Section 3,811, B, 2, a, (3)).

This policy is applicable to AFDC/U-related MAO except that the income of the minor's parent(s) or legal guardian(s) is not deemed to the benefit group unless the minor parent is included. In addition, the protected income level is used in place of the 100% of need level. See Section 3,811, C.

This policy is effective 11/1/84 for applications. Active cases are to be converted at the next redetermination or client contact, whichever is first. Repayment to the Department will be necessary from 10/1/84 to the time of conversion.

## F. The $30 Earned Income Disregard (AFDC/U)

### 1. Explanation of the Policy Change

There is no change in the policy regarding the $30 plus 1/3 disregard found in Section 3,330, C. However, after the $30 plus 1/3 disregard has been applied in four consecutive months, a $30 disregard continues for eight additional months. After this time, the disregards are not available again until twelve consecutive months have passed during which the person did not receive AFDC/U.

This eight month period of the $30 disregard begins with the month following the fourth consecutive month of the $30 plus 1/3 and ends with the eighth consecutive month regardless of whether or not the $30 disregard is actually applied to the person's earned income.

EXAMPLE 1: A recipient becomes employed in January. He receives the $30 plus 1/3 disregard for income received in January, February, March and April. The $30 disregard begins to be applied to the income received in May. In July, the client loses his job. The eighth month period continues to run through the earnings received in December. The client finds another job in September, so the $30 disregard would be applied to the income earned in September through December.

If a client becomes ineligible for AFDC/U after receiving the $30 plus 1/3 disregard for four consecutive months, but before 8 additional months of the $30 disregard have been available, the client is eligible for the remaining months of the $30 disregard if he returns to AFDC/U during that time. The $30 disregard is available to clients who lost eligibility due to the ending of the $30 plus 1/3 disregard and become applicants during the eight month period of the $30 disregard even if the client was not a recipient during one of the four prior months.

~~EXAMPLE 2: An AFDC client begins working in January. He receives the $30 plus 1/3 disregard on the earnings he received in January, February, March and April. The case is closed effective June because the client is no longer eligible without the application of the $30 plus 1/3 disregard. His hours are reduced in November and he applies for AFDC. He is eligible for the $30 disregard for the earnings received in November and December prior to the 185% of need test and the 100% of need test.~~

~~For a client who does not receive assistance during the eight month period of the $30 disregard, it is not intended that the benefit group be off AFDC for 20 months (8 months of $30 disregard plus 12 months of non-receipt of AFDC/U) in order to qualify again for the $30 plus 1/3 disregard. The policy at 3,330, C, 1, c still applies.~~

EXAMPLE 3: A client's case is closed effective May because his earned income was too high after discontinuance of the $30 plus 1/3 disregard. He does not receive assistance for 12 consecutive months. In June of the following year he reapplies for AFDC. He is eligible again for the $30 plus 1/3 disregard if he passes the 185% of need test and the 100% of need test.

EXAMPLE 4: Same situation as in Example 3 except that the client retains eligibility through application of the $30 disregard through July. In July, his earnings increase and his case is closed effective July. In August of the following year he reapplies for AFDC and is eligible again for the $30 plus 1/3 disregard if he passes the 185% of need test and the 100% of need test.

The rules governing when earned income disregards and deductions are not to be applied based on reporting requirements (Section 3,330, items 1 and 2, page 28a) are applicable to the $30 disregard. Like the $30 plus 1/3 disregard, the $30 disregard is applied to the earned income of each individual included in the benefit group and it is applied to the earned income after the standard deduction and the child/incapacitated adult care deduction have been applied.

This policy has no effect on the AFDC/U-related MAO policy.

2. Data System Entries

Due to lack of space in the C-219 system, the $30 disregard must be manually applied to the earned income. After the standard deduction and the $30 disregard have been applied, the amount of earned income is to be entered in Block 85. For statistical purposes, the number of persons receiving the $30 disregard (or part of it, if earnings are low) is to be entered in Block 87. This must be done to provide federal reports of the effects of this change and to prevent Workers from keeping manual statistics.

3. Implementation

This provision applies only to clients who did not receive the $30 plus 1/3 disregard for four consecutive months prior to 10/1/84. Those who did receive the $30 plus 1/3 disregard for four consecutive months ending with the 10/84 check or later (the $30 plus 1/3 was used to determine the 10/84 or later check amount) are now eligible for the eight month period of the $30 disregard. It is not applicable to those clients whose four consecutive months of the $30 plus 1/3 disregard ended with the 9/84 check (The $30 plus 1/3 was last used to determine the 9/84 or earlier check amount). Upon reapplication those that had the $30 plus 1/3 disregard last given with the 9/84 check will not be given the $30 disregard until after they requalify for the $30 plus 1/3 disregard. Those whose four consecutive months of the $30 plus 1/3 disregard ended with the disregard being used to determine the 10/84 (or later) check will, upon reapplication, be given the benefit of the $30 disregard as described in item 1 above.

3,120, J F. Earned Income Tax Credits (EITC) (AFDC/U and C/U-Related MAO)

EITC payments are to be counted as earned income only when actually received. Receipt of the EITC will no longer be presumed. Advance payments will be counted as any other earned income received in that month. If, at any point, the client reports and verifies that the amount of the EITC advance he received exceeds the amount he was due, corrective payment will be issued to him within 30 days to restore the AFDC/U benefits lost by counting the excessive EITC as income. When the amount of the advance payments is less than the amount due him and the client receives an earned income credit payment at the end of the tax year, this, too, is to be counted as income received in that month.

It is crucial that the client know to report these circumstances to the Department. The Worker must explain these to the client. The Policy Unit will follow up with check stuffers at appropriate times.

This policy applies to AFDC/U-related MAO except that no corrective action is taken when advance payments prove to be incorrect.

This policy is effective 11/1/84 for applications. Active cases must be converted at the next redetermination or client contact, whichever is first, with corrective payments being required back to 10/1/84 at the time of conversion.

3,330, A
3,424

G. Standard Work Deduction (AFDC/U and AFDC/U-Related MAO)

The standard deduction for work expenses follows the same policy as currently found in Section 3,330, A, except that the amount is a flat-rate $75 for each benefit group member, no matter how many hours are worked monthly. The only exception is as follows: when deeming earned income from a stepparent or from the parent or legal guardian of a minor parent, the amount of the standard deduction is still based on the number of hours worked monthly as currently found in Section 3,330, A.

The same policy applies to AFDC/U-related MAO and the exception as it relates to deemed income is the same.

There is no change in the graduated-rate deduction for the dependent child/incapacitated adult deduction. It remains as currently found in Sections 3,330, B and 3,424.

This policy is effective for applications beginning 11/1/84. AFDC/U cases are to be converted with receipt of the next MR form (budget month - October). The AP-700 may be used as a check list.

A printout will be run of all M-219 system cases with earned income and forwarded to you as soon as possible. These must be converted by the deadline date in December for January.

III. Chapter 4,000

4,200, F

A. Preneed Burial and Funeral Agreements

Funeral arrangements that have up to a maximum equity value of $1,500 for EACH of the benefit group members in an AFDC/U or AFDC/U-related Medicaid applicant/recipient household are excluded from consideration as an asset. NOTE: These funeral/burial agreements do not have to be irrevocable.

4,200, N

B. AFDC/U and AFDC/U-Related MAO: Burial Plots

One burial plot for each member of the benefit group is excluded from consideration as an asset. A burial plot may include a crypt, mausoleum, or other repository for the remains of a deceased benefit group member.

4,200, P

C. AFDC/U and AFDC/U-Related MAO: Real Property

Any non-excludable real property which the benefit group is making a good faith effort to sell is excluded as an asset for six months. A good faith effort means that the property is currently available for sale through a real estate agent or through publication.

NOTE: The only time this exclusion applies is when the applicant/recipient has agreed in writing to dispose of the property within the six month exclusion period. (A form has been developed to be used in these situations and is designated ES-22 and is attached to this memorandum. You are permitted to make copies of this form until your office receives an adequate supply. Also, any assistance paid to the household during this "disposition period" must be repaid to the agency once the asset is finally disposed. If, for any reason (for example, the applicant/recipient decides not to dispose of the property, fails to take any other required action to continue the family's eligibility, the family's income increases above the assistance payment level etc.) the assistance case is closed during this exclusion period, all of the payments made to the benefit household must be repaid as is done in any other overpayment situation.

6,610
82,100, 00

## IV. Eligible Situations for Nine Months Extended Medical Coverage (AFDC/U)

Any time the benefit group ceases to be eligible for AFDC/U solely because a member of the benefit group is no longer eligible for either the $30 plus 1/3 disregard or the $30 disregard, the benefit group remains eligible for Medicaid for a period of nine months after they receive their last AFDC/U payment, REGARDLESS of whether the benefit group continues to meet other eligibility conditions.

This new policy is also applicable to those AFDC/U cases that were closed between October 1, 1981 and October 1, 1984 solely because a member of the benefit group exhausted his eligibility for the $30 plus 1/3 disregard. You will not be responsible for identifying these cases. Instead, posters with this information will be developed and sent to you for your office and this information will be given to the media for publication. However, from the date this information is available to the public, these former recipients will have up to the end of six months to come in and apply for these additional benefits.

When determining the eligibility for this additional Medicaid coverage for these applicants, the following requirements MUST be met:

1. The benefit group (meaning the same members of benefit group at the time of closure) MUST be one that if the $30 plus 1/3 disregard had been applied would have been CONTINUOUSLY eligible for AFDC/U from the time the benefit group ceased to be eligible for AFDC/U to the date the application is made for this additional Medicaid coverage; AND

2. The applicant household must fully disclose when making application any health insurance coverage which is or was in effect for members of the benefit group.

EXAMPLE 1: If an AFDC/U benefit group makes application and reveals that the family would have been ineligible during one or more months since closure because of the income of a sibling who had not previously been a member of the benefit group and is now required to be a member, the household should be determined ineligible.

EXAMPLE 2: An AFDC/U benefit group applies for this additional Medicaid and, during the period of ineligibility the only child reaches age 18. The application should be denied.

EXAMPLE 3: An AFDC/U benefit group applies and during one of the past thirty-six months since closure that its income exceeded the gross income limit (150% should be used in making this determination for any period up to October 1, 1984 and 185% should be used as the gross income test after October 1, 1984), the family would not be eligible.

NOTE: These cases should be coded in the data system in the same manner as you previously did for cases eligible for four months continued medical coverage.

V. Chapter 70,000

The changes in Chapter 70,000 involve protective payments and some minor changes in the recovery of overpayments.

71,721, A — A. Protective Payments - Substitute Payee (AFDC/U)

This change allows the caretaker relative who failed to fulfill the OCSE requirements (and was subsequently removed from the payment) to be the payee for the remaining benefit group members when no other substitute payee can be located. The Worker must make all reasonable efforts to locate a substitute payee who meets the criteria in Section 71,721 before the former caretaker is considered.

It is expected that this provision will be used very infrequently because it does lessen the penalty on the client for failure to cooperate. However, in many cases, this is preferable to the vendor payment method for ease of Area operations. Using the former caretaker as payee instead of a substitute payee or vendor payments, therefore, requires supervisory approval and case record recording justification. No special coding is required.

This does not apply to AFDC/U-related MAO and is effective 11/1/84.

This revision does not apply to money mismanagement cases.

71,810 — . Recovery of Overpayments (AFDC/U)

Recovery of overpayments will not be pursued when all of the following conditions are met for a case:

1. The case is inactive when the overpayment is discovered or is closed before the overpayment can be collected, AND

2. The total of all AFDC/U overpayments due the Department is less than $35.00, AND

3. Fraud is not indicated in the overpayment.

All other overpayments must be pursued according to Section 71,800.

The case record must still reflect and document the overpayment because the collection is to be pursued if the case becomes active again or if the total of overpayments discovered reaches $35 or more. Even if collection is not being actively pursued, the amount due the Department may still be offset by any amount currently found to be due to the benefit group.

This provision is not applicable to AFDC/U-related MAO and is effective for overpayments discovered on or after 10/1/84.

VI. Chapter 80,000

Changes to Chapter 80,000 made necessary by the above changes are as follows:

82,100, VV A. Block 85 - Net Earned Income

The following paragraph is added to the existing section:

> Also add the net earnings of all persons eligible for the $30 disregard. The amount added here is the amount remaining after the standard deduction and the $30 disregard has been applied for each person eligible for the $30 disregard.

82,100, XX B. Block 87 - Number of Persons Eligible for $30 Disregard

Enter the total number of persons receiving the benefit of the $30 disregard. Include only those persons who actually have enough income left after the standard deduction so that all or part of the $30 disregard is used.

This block is only for statistical purposes and has no affect on the computation of the check amount.

Common Chapters VII. Release of Information Regarding Fugitive Felons

The Department is permitted to release to State or local law enforcement officers the current address of any current AFDC/U recipient who is a fugitive felon. The officer must furnish to the Area Office the recipient's name and Social Security number and demonstrate the following:

1. The individual is a fugitive felon, and
2. The location or apprehension of the felon is within the officer's official duties, and
3. The request is made in the proper exercise of the officer's duties.

A fugitive felon is defined as an individual who is fleeing from a warrant, an indictment or who has been convicted of a crime which is punishable by a penitentiary sentence.

Any request for information on fugitive felons is to be recorded in the case record.

As additional information or clarification becomes available for the DEFRA provisions it will be shared with all Areas.

Questions are to be directed to the Policy Unit in Economic Services.

DHR:jks

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|---|---|---|---|
| AGREEMENT TO SELL PROPERTY | | Case Number | Date Exclusion Begins |
| Applicant/Recipient Payee | Spouse | Parent | Date Exclusion Ends |

INFORMATION ABOUT EXCESS NON-LIQUID ASSETS

| Description of EACH Asset (If Real Property, show the address and Location) | Names of Owners | Nature and Percentage of Ownership of EACH | Estimated Current Market Value | Amount still Owed on the Asset if any | Estimated Net Proceeds of Sale (after sales Expenses and any amount owed) |
|---|---|---|---|---|---|
| 1. | | | | | |
| 2. | | | | | |
| 3. | | | | | |

CONDITIONS OF AGREEMENT: My (Our) assets exceed the amount which an eligible household may have and still qualify for payments under the Aid to Families with Dependent Children Program (AFDC) or the Aid to Families with Dependent Children - Unemployed Program (AFDC/U). I (We) hereby request that conditional payments be made to my family until I (We) can sell the above-described assets at their current market value. Once the Department of Human Services notifies me that this agreement has been approved, I (We) agree to take all necessary and proper steps to sell the above described assets an to actively continue my (our) efforts to do so until the assets are sold. I (We) agree to sell the above-named assets for the highest price I (We) can get and to do so within six (6) months of being notified that this agreement is approved. I (We) also agree to notify the Department of Human Services within five (5) working days after I (We) complete the sale. I (We) further agree to repay the Department of Human Services all payment(s) I (We) have received that would not have been paid if I (We) had sold the above described assets the day I (We) made application for benefits. I (We) further understand that I (We) fail to comply with the terms of this agreement, I (We) will be required to make immediate refund of all payments made to me (us). READ THE INFORMATION ON THE BACK OF THIS FORM.

| | | | |
|---|---|---|---|
| Signature | Address | City, State, Zip Code | Date |
| Signature | Address | City, State, Zip Code | Date |
| Signature | Address | City, State, Zip Code | Date |

ES-22 (New 10/84) Original - File: Copy - Client

## IMPORTANT INFORMATION ABOUT THIS AGREEMENT

### I. TIME LIMITS FOR SELLING PROPERTY:

The time limit during which you must sell the property is:

REAL PROPERTY (houses, land, etc.) -- 6 months from the date this agreement is approved.

YOU MUST NOTIFY THE DEPARTMENT OF HUMAN SERVICES IMMEDIATELY IF YOU FIND YOU ARE UNABLE TO SELL THE PROPERTY WITHIN THE TIME LIMIT.

### II. CURRENT MARKET VALUE:

When you sign the other side of this form, you agree to sell the assets described there for their current market value. This means the highest amount you can get by offering it on the open market.

IF YOU KNOWINGLY DISPOSE OF AN AGREED UPON ASSET FOR LESS THAN ITS CURRENT MARKET VALUE, THE DEPARTMENT OF HUMAN SERVICES WILL DETERMINE WHAT THE CURRENT MARKET VALUE WAS AT THE TIME OF DISPOSITION AND DETERMINE THE AMOUNT OF YOUR OVERPAYMENT ACCORDINGLY.

### III. NOTIFYING YOUR DEPARTMENT OF HUMAN SERVICES OFFICE:

Notify your Department of Human Services office as soon as you sell the property. ALSO, notify your Department of Human Services office immediately if you encounter any difficulty in selling the property or if you decide not to sell the property.

## MANUAL MATERIAL TRANSMITTED

Advance

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|---|---|---|---|---|---|
| **MANUAL:** Economic Services | | | **CHANGE NUMBER:** 335 | | |
| **DELETE** | | | **INSERT OR CHANGE** | | |
| **PAGES** | **CHAPTER** | **DATED** | **PAGES** | **CHAPTER** | **DATED** |
| Appendix D | 2,000 | | Appendix D | 2,000 | 10/87 |
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| Appendix E | 3,000 | 5/87 | Appendix E | 3,000 | 10/87 |
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| **DATE:** September, 1987 | | | **TO:** All Economic Service Manual Holders | | |

This change is being made to effect the annual updates of the maximum FS CA, the standard deduction and the cap on the shelter/utility deduction. All are effective October 1, 1987.

The new maximum CA's are as follows:

| Benefit Group Size | CA |
|---|---|
| 1 | 87 |
| 2 | 159 |
| 3 | 228 |
| 4 | 290 |
| 5 | 344 |
| 6 | 413 |
| 7 | 457 |
| 8 | 522 |
| Each Additional Member | + 65 |

The new standard deduction is $102.00.

For the first time, there will be 2 shelter/utility caps on the maximum shelter deduction allowed. Cases approved 10/1/87 or later will receive a cap of $164. All currently active cases will use a cap of $152 until they are redetermined or closed and reopened on or after 10/1/87. The reason for the closure has no bearing on use of the higher cap upon reopening the case. There need be no interruption in benefits to qualify for the use of the higher cap. It must simply have been closed, then reopened 10/1/87 or later to qualify for use of the higher cap. In addition, all cases redetermined 10/1/87 or later qualify for use of the higher cap.

The data system will check as follows to determine which cap to use:

1. If Block 36 equals 10/1/87 or later, it will use $164.

2. If Block 36 is less than 10/1/87 or later:

Memo dated 9-25-87

   a. For A, B, D, C, U cases the system will check Block 37. If Block 37 equals 10/87 or later, the system will used $164. Otherwise, it will use $152.

   b. For F cases, the Worker must alter the date in Block 36 when the first redetermination is completed on or after 10/1/87 to effect use of $164. Therefore, for each F case on which a redetermination is completed on or after 10/1/87, the Worker must change Block 36 to 10/1/87 to effect usage of the $164 cap. Otherwise, the system will see the earlier date in Block 36 and will use only $152 instead of $164. There is no way to pick up this information from Block 37 since F cases can have redetermination dates of one month to twelve months after the last one was completed. The system will only accept a change in Block 36 to 10/1/87. No other date will be accepted on a CHANG transaction.

   Areas which allow all or most FS redeterminations to close automatically and which treat the completed redeterminations as REOPN's will probably not have to alter the date in Block 36 to accomplish use of the higher cap. Assuming the entries in Blocks 35 and 36 are both the first day of the month (to prevent proration), the system will use the higher amount.

All active cases receiving FS in the C-219 system will be converted to the new amounts after the deadline date in September effective October. Each Area will receive two copies of a printout titled "FS CA and Deduction Changes Effective 10/87" detailing the changes.

Client notification will be accomplished by media release.

Questions should be directed to the Policy Unit in Economic Services.

# AFDC/FOOD STAMP COMPATABILITY INITIATIVE

## Background

- Coordination and increased consistency between the AFDC and Food Stamp programs is an ongoing initiative for both the Department of HHS and the Department of Agriculture, Food and Nutrition Services.

- Over the years both Departments have recognized the need to bring about increased consistency to the two programs by eliminating unnecessary differences. We know that many individuals participate in both programs and the programs require similar information in the eligibility determination process. At the same time, it must be recognized that the programs have different program goals, are governed by different statutes, and are handled by different Congressional Committees. These are the differences that have often created difficulty in bringing about as much consistency between the programs as the States would like to see.

- In developing AFDC regulations we have worked closely with FNS in an effort to develop regulations which are consistent with the Food Stamp program where that is possible and feasible. The Food Stamp program has done the same.

- National and Regional conferences, e.g., APWA-sponsored Food Stamp Directors' conferences have had the benefit of participants from both Departments to keep lines of communication open and help insure uniform policies where possible in specific areas, e.g., monthly reporting and work programs.

## Highlights of Recent Efforts

- Established, in early 1985, an intra-agency AFDC/Food Stamp Work Group to address the issue of increased consistency.

- Published, in February 1985, a joint Notice of Intent to Develop Regulations (NOI). The Notice solicited comments/recommendations on ways FSA and FNS could enhance consistency between the programs within existing statutes.

--Response to the NOI was heavy (over 100 comments). Most recommendations were addressed to the Food Stamp program. A number would require legislative action to bring about consistency, and a number could be implemented by the States without either legislative or regulatory change. The joint work group convened to develop a Notice of Proposed Rulemaking (NPRM).

--By the fall of 1986, a draft of the NPRM was developed with input from both the Department of Health and Human Services and the Department of Agriculture/Food and Nutrition Service, but was delayed by newly enacted Food Stamp legislation.

Next Steps

o Final clearances of the NPRM within the Executive Branch are being obtained, and we expect to publish it in September 1987 with a 60-day comment period and publish final regulations in January 1988.

[Excerpt from the Federal Register, Sept. 29, 1987]

**DEPARTMENT OF AGRICULTURE**

**Food and Nutrition Service**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Family Support Administration**

**7 CFR Part 273**

**45 CFR Parts 205 and 233**

**[Amdt. No. 297]**

## Consistency for Food Stamp Program, Aid to Families with Dependent Children (AFDC) Program and Adult Assistance Programs

**AGENCIES:** Food and Nutrition Service, USDA, and Family Support Administration, HHS.

**ACTION:** Proposed rules.

**SUMMARY:** A Notice of Intent to Develop Regulations was published on February 19, 1985 (50 FR 6970). The purpose of that notice was to solicit comments and recommendations from the public on ways the Family Support Administration (FSA) which administers the Aid to Families with Dependent Children (AFDC) Program and the Food and Nutrition Service (FNS) which administers the Food Stamp Program could enhance consistency between the two programs given existing statutory constraints. This rulemaking is the result of that notice of intent and sets forth proposed changes to the regulations of both the AFDC and Food Stamp programs for greater consistency. It also applies to the Adult Assistance Programs (Titles I, X, XIV, and XVI (Aid to the Aged, Blind or Disabled) of the Social Security Act).

This proposal does not address the provision on the categorical eligibility of certain AFDC, Adult Assistance and SSI households for food stamps contained in the Food Security Act of 1985 (Pub. L. 99-198; December 23, 1985). However, the manner in which categorical eligibility affects the issues in this proposal is discussed, where applicable: e.g., the preamble section on verification.

**DATES:** Comments must be received on or before November 30, 1987.

**ADDRESSES:** Comments should be submitted in writing to the Administrator of the Family Support Administration, Attention: Mark Ragan, Acting Director, Office of Policy, Office of Family Assistance, Department of Heath and Human Services (HHS), 330 Independence Avenue SW., Room 5600, Washington, DC 20201, or delivered to the Office of Family Assistance, Family Support Administration, Room B-448, Transpoint Building, 2100 Second Street SW., Washington, DC 20201, between 8:00 a.m. and 4:30 p.m., on regular business days. Comments received may be inspected during these same hours by making arrangements with the contact persons shown below.

**FOR FURTHER INFORMATION CONTACT:** At the Family Support Administration: Mark Ragan, Office of Family Assistance, Family Support Administration, Transpoint Building, 2100 Second Street SW., Washington, DC 20201, telephone (202) 245-3290.

At the Department of Agriculture: Ms. Bonny O'Neil, Food and Nutrition Service, 3101 Park Center Drive, Alexandria, Va. 22302, telephone (703) 756-3414.

**SUPPLEMENTARY INFORMATION:**

### Classification

*Executive Order 12291*

This action has been reviewed under Executive Order 12291 and the Secretary of Agriculture's Memorandum No. 1512-11. The Departments have classified this action as non-major. The effect of this action on the economy will be less than $100 million and will have an insignificant effect on costs or prices. Competition, employment, investment, productivity, and innovation will remain unaffected. There will be no effect on the competition of United States-based enterprises with foreign-based enterprises.

*Executive Order 12372*

The Food Stamp Program is listed in the Catalog of Federal Domestic Assistance under No. 10.551. For the reasons set forth in the final rule related Notice(s) of 7 CFR Part 3015, Subpart V (Cite 48 FR 29115, June 24, 1983; or 48 FR 54317, December 1, 1983, as appropriate, and any subsequent notices that may apply), this program is excluded from the scope of Executive Order 12372 which requires intergovernmental consultation with State and local officials.

*Regulatory Flexibility Act*

This action has been reviewed with regard to the requirements of the Regulatory Flexibility Act of 1980 (Pub. L. 96-354, Stat. 1164, September 19, 1980). Anna Kondratas, Administrator of the Food and Nutrition Service, and Wayne Stanton, Administrator, Family Support Administration, have certified that this rule does not have a significant economic impact on a substantial number of small entities. State and local welfare agencies will be the most affected to the extent that they administer the programs. Potential and current participants will be affected because of changes to various policies and procedures for both programs.

*Paperwork Reduction Act*

### Food Stamp Program

The proposed § 273.2(e)(3)(i) requiring the State agency to advise households of its policy to immediately deny an application after the household misses one interview does not significantly alter or change burden estimates for application processing approved under the Office of Management and Budget's (OMB) No. 0584-0064. The reporting and recordkeeping requirements contained in proposed §§ 273.2(g)(3), 273.10(g)(1)(i), (ii) and (iii), 273.12(a), 273.13, and 273.15(q) are approved under OMB No. 0584-0064. The remaining provisions do not contain any reporting or recordkeeping requirements subject to approval by OMB under the Paperwork Reduction Act of 1980 (44 U.S.C. 3507).

### AFDC Program

The reporting and recordkeeping requirements contained in proposed § 205.10 are approved under OMB No. 0960-0280. The remaining provisions do not contain any reporting or recordkeeping requirements subject to OMB approval under the Paperwork Reduction Act of 1980.

### Background

An on-going initiative for both the Department of Health and Human Services and the Department of Agriculture has been to bring about increased consistency to the AFDC and Food Stamp Programs by eliminating unnecessary differences. Both Departments recognize that many individuals participate in both programs and similar information is required in each program's eligibility determination process. In proposing changes to certain policies in order to achieve consistency, this proposed rule is intended to reduce unnecessary burdens on recipients as well as on the States in the administration of the programs. Suggestions for additional modifications or improvements which would further these purposes are welcomed.

*Format*

This preamble is divided into four sections. This first section provides the rationale for the proposed rule, definitions, and explanations on other related regulatory changes. The second section clarifies existing policies which currently permit consistency between the programs without regulatory change. The third section discusses regulatory changes proposed for the AFDC, Adult Assistance and Food Stamp programs. The last section concerns commenters' recommendations for changes which were not adopted.

### *Rationale, Definitions and Other Related Rules*

These proposed changes are designed to remove barriers to consistent administration of the AFDC, Adult Assistance and Food Stamp Programs and are based primarily on the comments received on the Notice of Intent to Develop Regulations. Additional changes are proposed which did not result from comments or legislative amendments but are changes which we believe will further contribute to greater consistency. An example of such a change for the Food Stamp Program is how households with fluctuating income are to report status changes rather than changes in dollar amounts. For AFDC and the Adult Assistance Programs, the fair hearings regulations were reviewed for consistency changes that were not necessarily addressed by commenters. Any issues dealing with monthly reporting/retrospective budgeting (MRRB) are being handled separately by both Departments.

All comments received in response to the Notice were reviewed but only those issues that were either repeatedly addressed or those over which the programs have some regulatory flexibility are discussed in any detail. Comments concerning policies which have been adopted by State option rather than required by Federal regulation and comments which were unclear or not pertinent are not addressed in this preamble.

### *Definitions*

The Food Stamp Program defines (7 CFR 271.2) public assistance (PA) as the following programs under Titles I, IV–A, X, XIV, and XVI (AABD) authorized by the Social Security Act of 1935, as amended:

- Aid to Families with Dependent Children (AFDC) (all States, the District of Columbia, Puerto Rico, Guam and the Virgin Islands).
- Old-Age Assistance (OAA) (Guam, Virgin Islands).
- Aid to the Blind (AB) (Guam, Virgin Islands).
- Aid to the Permanently and Totally Disabled (APTD) (Guam, Virgin Islands).
- Aid to the Aged, Blind or Disabled (AABD) (Puerto Rico).

The last four programs are in operation in the areas specified above instead of the SSI program. Therefore, whenever a proposed change is applicable to households in which all members receive some type of PA benefits, all of the programs in the definition are included. The HHS rules refer to the latter four programs as the Adult Assistance programs. In the food stamp portion of this docket, the terms "PA" and "AFDC and Adult Assistance programs" are used interchangeably.

### *Categorical Eligibility*

A number of commenters asked that PA recipients be categorically eligible, that is eligible to receive food stamps simply because of their eligibility for PA benefits. At the time of intent to propose rulemaking this could not be done by regulations. However, section 1507(a) of the Food Security Act amended section 5(a) of the Food Stamp Act to mandate categorical eligibility for households containing only recipients of AFDC, SSI, and Adult Assistance under titles, I, X, XIV and XVI of the Social Security Act within certain restrictions for "pure" PA/SSI households. This provision expires September 30, 1989 and USDA must evaluate the provision and report to Congress on the results of categorical eligibility.

The revisions needed to implement categorical eligibility and a discussion of issues are contained in a separate interim rulemaking published August 5, 1986. The information on categorical eligibility is provided to assist readers of this docket with how categorical eligibility will affect the various issues discussed herein.

## Clarification of Existing Policy

The following discusses issues raised by commenters on which some degree of consistency can now be reached without any regulatory amendments.

### *Verification*

A number of comments were received on verification requirements, especially those for citizenship. These comments were nearly evenly divided as to whether AFDC or food stamp's methods should be adopted. Food Stamp regulations set minimum requirements on what factors must be verified, and specify minimums on the types of acceptable documentation. The AFDC and Adult Assistance programs' regulations require substantiation of eligibility but do not set specific verification requirements for the eligibility worker. Consistency can be achieved within current regulatory provisions since State PA agencies are free to establish their own requirements. As States are ultimately held responsible for the accuracy of their determinations through quality control reviews, it is important for States to verify any information which affects eligibility or payments as thoroughly as possible. Since the Food Stamp Program's verification requirements are the more specific, State agencies may wish to consider applying those specific requirements to the AFDC and Adult Assistance programs. This proposed rule solicits comments regarding any limitations on the ability of States to verify the same information for all the programs involved.

### *Terminology*

A number of commenters asked that the AFDC and Food Stamp programs come into closer conformity on the terminology used. A number of the terms involved were reviewed. We found that many terms have a specific meaning for each program. For example, "household" for the Food Stamp Program is defined, in short, as persons who eat together. "Assistance unit", for the AFDC Program, is defined, in short, as persons included in the AFDC payment. Additionally, the persons who eat together may include persons who are not eligible for AFDC, e.g., unrelated persons. One food stamp household may contain a number of AFDC assistance units because food stamps is interested in who purchases and prepares food together. So, in actuality, these terms are not comparable even though, on the surface, they appear to be. We are making the terminology in the area of notices to households after certification more consistent. The Food Stamp Program proposes to define notice as "timely and adequate" or simply "adequate" as does the AFDC Program. It should be noted that this change is one in terminology and that current time frames remain the same. We encourage commenters to provide specific examples when recommending changes for consistency in terminology. We would also like to point out that States could now use consistent terminology in developing their internal handbooks and instructions.

### *Rounding*

Several commenters proposed that the AFDC and Food Stamp Programs use the same methods for rounding. Under current statutes and regulations at 7 CFR 273.10(e)(2)(ii)(A)(2) and 45 CFR 233.20(a)(2)(iv), State agencies are required to round down the AFDC payment amounts and the Food Stamp allotment amounts. In addition, for the AFDC Program, both the statute and regulations require rounding down of the standard of need. In all other levels of computation, i.e., income, payment standard, deductions. States may round in either direction when determining need and the AFDC payment. Also, the Food Stamp Program regulations at 7 CFR 273.10(e)(1)(ii) permit States to apply the same rounding precedures used by the AFDC Program. States may round in either direction when determining need and the amount of an Adult Assistance payment. Therefore, there are no inconsistencies which would necessitate a change in regulations.

### *Verification for Denials of Food Stamp Applications*

A comment was raised that the Food Stamp Program should not require verification of household circumstances when an application is denied. There is apparently some confusion since the programs do not require verification under these circumstances. For example, if a household reports information which clearly makes it ineligible (such as a savings account with $10,000 in it), verification is not required unless the household wishes to provide it or if the reported information is somehow questionable. For quality control purposes, the household's statement would be considered adequate. No regulatory changes are needed for conformance. This procedure is of valuable assistance to State agencies as it saves eligibility workers time and frees them to devote time to more difficult cases.

### *Continuation of Food Stamp Benefits When AFDC Benefits Are Terminated*

Several commenters asked that a household's food stamp benefits be terminated when its PA benefits are terminated. Pursuant to section 11(i) of the Food Stamp Act, as revised by Pub. L. 99–198, and 7 CFR 273.12(f) when a household's PA benefits are terminated, food stamp benefits can be denied only if the household is not eligible for food stamps. For example, food stamp benefits would be continued if the factor causing termination of the PA benefits did not affect eligibility for food stamps. However, if the factor (such as an increase in countable income) also affected the household's food stamp benefits, action is taken as appropriate to adjust the household's food stamp benefits. A single notice of adverse action is sent if there is sufficient information to make the food stamp change. If there is insufficient information, the household is provided a notice of expiration so that the household's situation can be explored in more detail. By this method, both the State agency and the household have some flexibility in handling the change. No revisions are being made on handling changes on jointly processed cases in this proposed rule.

### *Additional Conditions of Eligibility for AFDC and Adult Assistance*

Commenters raised a number of issues about areas of eligibility conditions which must be met in the Food Stamp Program but not in the AFDC Program. Within certain limitations, specified at 45 CFR 233.10(a)(1)(ii)(B), States may now adopt parallel requirements in the AFDC and Adult Assistance programs. This regulation, to promote efficient administration and independent State welfare policies, permits the States to impose additional conditions of eligibility as long as the conditions are consistent with Title IV–A of the Social Security Act and are in keeping with its statutory goals. For example, a State could require cooperation with a Quality Control reviewer as a condition of AFDC eligibility, or it could specify periods of ineligibility for those individuals or assistance groups who transfer assets to be eligible for assistance.

### *Work Registration Procedures for AFDC*

One commenter suggested that the AFDC Program conform to the Food Stamp Program which requires that work registration be performed by the State agency. Although it is a statutory requirement that registration for the regular Work Incentive Program (WIN) must be with the State employment services agency (SESA), under a memorandum of agreement the State welfare agency could perform the registration function for SESA. In States which have chosen to operate a WIN Demonstration Program, work registration is the responsibility of the IV–A State agency.

### *Treatment of the Earned Income Credit for AFDC*

Another commenter suggested that the AFDC Program follow the Food Stamp Program's practice of treating the Earned Income Credit as income only when it is received. The Deficit Reduction Act of 1984 (DEFRA) has made this a statutory requirement, and a revised regulation has already been published at 45 CFR 233.20(a)(6)(ix).

### *Bilingual Requirements for AFDC and Adult Assistance*

Several commenters suggested that the AFDC program amend its rules to require certain State agencies, serving a substantial number of non-English-speaking households, to have bilingual personnel and printed material. Another commenter proposed that the Food Stamp Program's multilingual requirement for notices by replaced with a multilingual label for the notice telling households to have the notice translated.

Under the AFDC program's current rules, and the Adult Assistance programs as well, States are free to hire bilingual staff and print forms, etc., in as many languages as the State deems necessary with costs matched by the Federal government. Many States have adopted this procedure. The Family Support Administration does not believe it would be cost effective to require the use of bilingual staff and printed materials as States should have maximum flexibility in this area to adapt their own programs to meet the needs of their recipient populations. As to the comment on substituting a multilingual label in the Food Stamp Program, the Act requires that materials be available in other languages if appropriate, not just an indication that a translation is available.

### *Timely Reporting of Changes for AFDC and Adult Assistance*

Severly commenters recommended that the two programs adopt uniform requirements for reporting changes which would affect eligibility or the amount of assistance. Although the Food Stamp Program regulations require such changes to be reported within 10 days, neither AFDC nor Adult Assistance regulations establish a time limit. States are therefore free to set their own standards for reporting changes and may adopt standards for AFDC and Adult Assistance which are consistent with those required for the Food Stamp Program.

## Regulatory Changes

The following sections set forth what changes are being proposed for the AFDC, Adult Assistance and Food Stamp programs. The proposed food stamp changes are discussed first in their entirety because they appear first in the Code of Federal Regulations (Part 7 versus Part 45). A discussion of the AFDC and Adult Assistance changes follows immediately thereafter. In some cases the proposed rule results in the same requirements for all the programs. Even in these cases separate discussions are maintained (although the Adult Assistance Programs are generally included in the discussions of the AFDC changes) in order to establish a rationale within each program's framework.

### *Food Stamp Program*

### Application Processing/Scheduled Interviews-§ 273.2(e)(3)

The Notice of Intent specifically requested comments on the Food Stamp Program's current policy on second interviews contained in 7 CFR 273.2(e)(3). The current rule requires the State agency to attempt to schedule a second interview if the household fails to appear for the first interview. Further, the State agency can only deny the case if the household misses two interviews and the 30-day processing time from the date of application has elasped. Federal policy for the AFDC and Adult Assistance Programs does not require an interview. However, if the State under its policy requires one, it is not mandated to reschedule a missed interview, and the State agency may deny the application immediately after the applicant fails to appear for the initial interview. The large majority of the comments received on second interviews recommended the use of the AFDC Program's policy. While food stamps cannot delete the interview requirement because of the Food Stamp Act, the Department of Agriculture is proposing to delete the requirement to schedule a second interview if the household failed to appear for the first scheduled interview. The State agency would also have the option of either immediately denying the household when it misses the first interview scheduled or denying the application on the 30th day following the initial application. Whichever option is chosen, the entire caseload for the State must be handled in the same way. The State agency would be required to inform the household prior to the first scheduled interview of the consequences of missing that interview; i.e., it is the household's reponsibility to schedule another interview as the State agency would not be rescheduling the missed interview and whether the State agency has opted to immediately deny the application. This information must be provided in writing, either with the application form or when the household is given its interview time.

States which choose to immediately deny the household after missing a scheduled interview must provide a notice of denial at the time of the missed interview to inform the household that it must reapply if it wishes to receive food stamps. The State agency may develop a system to permit the household to reapply using only Part 1 of the FNS-385, Application for Food Stamps, (the "tear-off" sheet) to avoid completion of an additional multi-page application form. Any changes from the original information on the application would be updated and initialed by the applicant or the authorized representative. For quality control (QC) purposes, the State agency must clearly differentiate between the original denied application and the reapplication made after the household misses the initial interview. If the State agency does not opt to immediately deny the household after missing the initial interview, the notice of denial would be sent at the end of the 30-day processing time for households which have not contacted the State agency to reschedule an interview. At its option, the State agency may send a reminder to the household after it misses its scheduled interview, again explaining the consequences of missing the scheduled interview.

The Department is further proposing to allow the State agency to immediately deny an application after the household misses a recertification interview provided the interview was scheduled after the household had timely filed the application. However, if the household failed or refused to appear for an interview prior to submission of a timely application, the State agency is required to attempt to reschedule another interview. If the household fails to appear for the second scheduled interview, the State agency may immediately deny the application.

### Application Processing-§ 273.2(g) and (h)

The AFDC regulations, at 45 CFR 206.10(a)(3), require that a decision of eligibility shall be made "not in excess of 45 days" from the date of application while for disability under APTD and AABD the limit is 60 days. Section 11(e)(3) of the Food Stamp Act, as amended, provides that the State agency complete certification and provide an allotment not later than 30 days following the filing of an application. In addition, Food Stamp Program regulations at 7 CFR 273.2(h) provide that if the State cannot take any further action on the application due to the fault of the household, the State agency must give the household an additional 30 days to take the required action. If verification is lacking, the State may hold the application pending for 30 days following the date of the initial request for the missing verification. Currenty, the State has the option to either send a household a notice of denial or a notice of pending status if verification is lacking and a decision of eligibility cannot be made by the 30th day after application. However, elsewhere in this regulation, a proposal is made to modify the notification requirements.

Several comment letters addressed the application processing timeframes of the two programs. Most of the commenters recommended that the Food Stamp Program adopt the AFDC Program's timeframes which recommendation cannot be followed due to statutory restrictions. This proposed rule retains the statutorily mandated 30-day food stamp processing standard, but deletes the 30-day pending status in § 273.2(h) to be more compatible with the AFDC Program by at least eliminating the pending period which the AFDC Program does not have. The Department of Agriculture believes that households in need of assistance should take responsibility for promptly meeting all application processing requirements. However, no program can deny assistance at the end of the mandated processing time solely because the time limit for processing the application has lapsed. Therefore, the food stamp requirements in § 273.2(h)(3) on continuing to process an application when the State agency causes the delay is retained in the revised § 273.2(h). It should be noted that State agencies are not precluded from using a 30-day processing standard for their PA caseload to conform with that of the Food Stamp Program.

### Residue—§ 273.3

The regulations of the Food Stamp Program at 7 CFR 273.3 require that a household reside in the project area in which it files an application for participation. A project area is a subdivision of the State, normally a county or independent city. However, some States have a Statewide project area. The AFDC and Adult Assistance programs require that the individual be a resident of the State. Commenters asked that the Food Stamp Program adopt the AFDC residence policy. This rulemaking changes 7 CFR 273.3 to permit States to allow Statewide residency. The State agencies could still designate limited project areas and could restrict where a given household could apply. This change will assist in reduction of quality control errors caused by a household participating in the wrong project area.

### Work Registration Exemptions—§ 273.7(b)

A number of commenters suggested that the exemptions from AFDC's work incentive (WIN) program and food stamp's work registration be brought into closer alignment. Most of the current exemptions are specified by statute and are unalterable thus precluding total consistency. As a result of DEFRA, women in their third trimester of pregnancy are now exempt (see 42 U.S.C. 602(a)(19)). For consistency, the Food Stamp Program proposes to also exempt these women from work registration under the authority of 7 U.S.C. 2013(c) and 2015(d). Since publication of the Notice of Intent, the Department has made efforts to bring requirements of the AFDC and Food Stamp Program into closer conformity in the area of work programs. For example, DEFRA excused from work requirements all individuals actually employed under a Work Supplementation Program (WSP). Through WSP, the AFDC Program diverts the grant to an employer in order to subsidize wages. Under this program, AFDC recipients may choose, on a voluntary basis, to accept an offer of work which is subsidized with State and Federal funds. Prior to December 31, 1986 regulations at 7 CFR 273.7(b) provided a work registration exemption for persons "subject to and participating in the WIN program under title IV." The Department recognized that this language precluded work registration exemptions for persons participating in title IV work programs other than WIN. It was not the intent of the Food Stamp Program to exempt those participating in WIN (title IV–C) from work registration while requiring registration of individuals participating in title IV–A work programs (including CWEP, job search and WSP). Therefore, a change was made in the final rule, entitled Employment and Training Requirements, published at 51 FR 47378, December 31, 1986. Now household members subject to and participating in any work program under title IV–A of the Social Security Act, as amended, are also exempt from food stamp work registration requirements.

### Jointly Held Resources—§ 273.8(d)

Some comments were received on the Food Stamp Program's policy at 7 CFR 273.8(d) which requires counting as available to each household any jointly held resource, unless it is proven inaccessible. Under the AFDC and Adult Assistance programs, States establish criteria consistent with State law for determining the availability of jointly held resources.

To more closely conform the Food Stamp Program's and the PA policy, this proposal would exclude as a resource any jointly held available resource which State law prohibits noncontributory signatories from withdrawing or liquidating for their own benefit. Existing regulations cover jointly held unavailable resources in that they are considered inaccessible if the household's access to them depends on agreement of a joint owner who will not comply. The AFDC and Adult Assistance programs are also amending their regulations in this area.

### Funeral and Burial Agreements—§ 273.8(e)

Both the AFDC and Food Stamp Programs exclude one burial plot per member of the food stamp houehold and the assistance unit for AFDC from being considered an available resource. In addition, the regulations of the AFDC Program exclude for resource purposes the value, up to $1500 in equity value per member of the assistance unit, of a bona fide funeral/burial agreement. The $1500 limit was taken from the SSI program. The Food Stamp Program, by an indexed policy memorandum (Policy Memorandum 82–3, October 8, 1981) issued under the Policy Interpretation Response System, extends the regulatory exclusion (now statutory) for burial plots to funeral/burial agreements. The policy memorandum advised that no exclusion could be provided unless such funds are inaccessible or must be repaid, if withdrawn, according to a contractual agreement. However, no limit is now placed on the amount of the agreement.

Commenters requested consistency in this area, the majority preferring that the Food Stamp Program adopt the AFDC Program's policy. Therefore, it is proposed that 7 CFR 273.8(e)(2) be amended to exclude as a resource the value of a formal funeral/burial agreement up to $1500 in equity value per household member. Examples of formal agreements are those which are either completely inaccessible or for which there is a contractual obligation to repay any withdrawals. By placing a limit on the amount of the agreement, the Food Stamp Program is not only becoming consistent with the AFDC Program but is lessening the likelihood of abuse of the exemption.

### Interest Income—§ 273.10(c)

Commenters requested that the Food Stamp Program adopt their understanding of the AFDC policy on interest income. The commenters believed, incorrectly, that the AFDC program counted interest as a resource. However, both programs now count interest as income in the month received. Determining and verifying each month's interest amount can be very difficult, given the normally minimal amount involved and the fact that statements may not be available on a monthly basis. Therefore the programs are proposing that States agencies be given the option of projecting monthly interest income by periodically averaging monthly interest.

The eligibility worker would take a series of monthly figures, divide that total by the number of months involved, and project that average as the monthly figure taking into account any evidence that this average would no longer be expected to continue as a reliable average. This is different from taking an amount paid quarterly or semi-annually and prorating it over the period the payment covered, which can currently be done. The State agency would have the option of having the household report the monthly amount each month or only reporting each month's payment at recertification. These options should assist States by easing their administrative burden while still capturing a source of income to the household.

### Notices—§ 273.10(g) and 273.13

A number of comments were received on the notices the programs provide to recipients. As a result, changes are being proposed to the programs' notice provisions. For the Food Stamp Program, the notices of adverse action, eligibility and denial are being changed. Use of the notice of pending status will be limited to State agency-caused delays. A discussion of the proposed revisions and why other requested changes were not made follows here.

### Notices of eligibility, denial and pending status—§ 273.10(g)

While the large majority of comments on notices used by the Food Stamp Program dealt with the notice of adverse action, this proposal affords FNS the opportunity to bring the initial notices of eligibility, denial and pending status into closer consistency with notices provided in the AFDC and the Adult Assistance programs. In addition, the material included in these notices would be streamlined. However because certain information is needed for the Food Stamp Program (such as for variable benefits) that might not be needed for the PA programs and vice versa, there are some areas where notices must remain different. The notice of eligibility provisions would no longer require the form to contain information about legal aid availability or about how to contact the food stamp office. In addition, the optional reminder to the household to report changes or provide other useful information would no longer be specified. This information is given to the household at certification. The AFDC and Adult Assistance programs do not have such requirements. Households should know how to contact their local offices and should feel free to inquire about legal aid availability.

Also, households are told to report changes either on the monthly report or otherwise.

Further, the State agency may still provide such information or any other information it feels is useful. It is not necessary to provide such detail as to how a State must design its notices. Also, because many Statewide systems are in place and more may be established, given the change in the residency requirements in this docket, it may be difficult to provide such information about individual communities.

The notice of denial is also being redesigned. In addition to deletion of information on legal aid availability and how to contact the local office as discussed above, the notice of denial would be sent to households whose applications were not processed at the end of 30 days after application unless the State agency is at fault. The State agency will no longer have the option to send a notice of pending status. The notice of pending status must still be used for delays caused by the State agency.

### Notice of Adverse Action—§ 273.13

Many commenters asked that the definitions for an adequate and timely notice be the same for all programs. For consistency, this proposal would remove the requirement at 7 CFR 273.13(a)(2) about a contact person and on legal aid availability and would add a requirement that the notice of adverse action include the specific regulations or law supporting the action taken. For the purposes of the notice, the regulation may either be the Federal or State regulatory citation or the State manual or handbook citation. For clarification, this proposal adds a statement that for monthly reporting households, adequate notice is defined elsewhere. Also, it clarifies that the household would have a right to continued benefits if it requests a fair hearing within 10 days after the notice was mailed.

As to the exemptions, this proposal would add an exemption from sending a notice of adverse action if agency mail is returned with no known forwarding address but requires provision of benefits if the household's whereabouts becomes known in the issuance month. In addition, the exemption section is being revised to make a distinction among the time when: (1) A timely and adequate notice must be given; (2) no notice of any kind is given; (3) an adequate notice is given; or (4) when another type of notification is given.

Several commenters asked that the Food Stamp Program adopt the AFDC Program's voluntary waiver to a notice of adverse action and the right to continued benefits pending a hearing if an overissuance would result. This recommendation is not adopted as there are already adequate ways for the household to avoid an overissuance, such as not transacting its authorization card or returning its coupons.

### Disallowed Costs of Producing Self-employment Income—§ 273.11(a)(4)

A number of commenters suggested that the items which are disallowed as costs of doing business when calculating self-employment income be made the same. Currently, self-employment income, or profit, is derived from subtracting certain business expenses from the gross receipts. Business expenses must be directly related to producing the goods or services. Certain items are excluded by each program from allowable business expenses. This rule conforms the list of items excluded by each program.

### Boarders § 273.11(b)

A number of commenters recommended that the Food Stamp Program count income received from boarders when the household does not own and operate a commercial boardinghouse in the same manner as does the AFDC program. The AFDC and Adult Assistance programs treat boarder-generated income the same as all other self-employment income, and do not differentiate between income received by households which own and operate a boardinghouse and those which do not. The Food Stamp Program does differentiate between these two types of boarder income, treating income to households which own and operate a commercial boardinghouse the same as all other self-employment income. Income received from boarders in cases where the household does not own a commercial boardinghouse is calculated differently.

Current Food Stamp Program regulations at 7 CFR 273.11(b)(1) provide that States must use the Thrifty Food Plan as a basis of establishing the cost of doing business for income received from boarders if the household does not own and operate a commercial boardinghouse. The rules provide that the cost of doing business is either: (1) The cost of the Thrifty Food Plan for a household size equal to the number of boarders; or (2) the actual documented cost of providing room and meals, if that cost exceeds the Thrifty Food Plan. The majority of comment letters received on this subject recommended that the policy be more flexible, and patterned after the AFDC policy. Although its policy is not currently found in regulation, the AFDC and Adult Assistance programs permit States to designate a flat percentage or a flat amount as the cost of doing business provided there is an objective and justifiable basis. If it can be shown that the actual expenses are higher than those resulting from application of the State's method, the State must use the higher amount. In this proposed rule, the Food Stamp Program is adopting the PA method, and the AFDC and Adult Assistance programs are putting their policy into regulation. This proposal establishes a ceiling of 75 percent of boarder-generated income as the cost of doing business. The figure of 75 percent was arrived at using 1982 data from the *Statistics of Income Bulletin, Summer 1984* issued by the Internal Revenue Service. This data showed for rooming and boarding houses (no data is available for individual roomers and boarders) that 72 percent of business gross income is for allowable expenses which excludes depreciation. We have rounded this figure up to 75 percent. For the Food Stamp Program, income received from boarders in a commercial boardinghouse will continue to be regarded as self-employment income. FNS encourages comments on the different treatment of boarder-generated income between households which own a commercial boardinghouse and those which do not.

### Change Reporting Requirements for Non-Monthly Reporting Households § 273.12(a)

On January 16, 1981, the Department of Agriculture published a proposed rulemaking (46 FR 6310) which included a provision to revise the current policy on when certified households should report changes in income. Currently households are required to report changes in the source of income and gross monthly income changes exceeding $25, with some exceptions. While this requirement causes no confusion in those instances when income either does not change or changes in a way which can be anticipated, the requirement is not clear with regard to fluctuating income. There are a number of interpretations of how to apply the change reporting requirements to fluctuating income and a number of options were considered when the original proposal was prepared. Please refer to the January 16, 1981, proposed rulemaking for a further discussion of the background of this issue.

The proposed revision to the change reporting policy was not adopted as a final rule because the Department felt, at that time, monthly reporting would solve the problem of what changes recipients must report. Monthly reporting has now been in effect for a while but has not provided the complete solution the Department thought it would. A number of households are not subject to monthly reporting, either because of a statutory exclusion or because a waiver was granted for various categories of households for which monthly reporting is not cost-effective. For households exempt from monthly reporting but which have fluctuating income, the reporting of non-status (e.g., temporary overtime or loss of a few hours pay) changes is inconvenient and is difficult for States to administer. Also reporting changes in fluctuating income makes it difficult to calculate an accurate method of review for QC purposes. The AFDC Program does not specify by regulation how its recipients are to report changes. Each State agency decides how non-monthly reporters should report changes. A number of States define changes in circumstances as outlined in the AFDC QC manual. The AFDC QC manual (section 3 subsection 3050(B)) defines a change in circumstance as any employment status change which results in either increased or decreased income, for example, part-time to full-time, loss of job or change in hourly rate. Therefore, in the interest of consistency with the AFDC Program and to reopen comment on the issue of how to report changes in fluctuating income, the Department is reproposing an amendment to 7 CFR 273.12(a) on how changes are to be reported.

The Department proposes to require households with fluctuating income to report changes in the source of income, in the wage rate of fluctuating income, and ongoing changes in the number of hours worked—rather than changes of more than $25 a month found in the current regulations. (There would be no change in the reporting requirements for households who do not have fluctuating incomes). Errors in household income are more frequently attributable to changes in basic employment status, such as converting from unemployed to employed status or from part-time to full-time employment, rather than fluctuations in the hours worked. The reporting of more permanent changes in wage rates would allow State agencies to more exactly match benefits to households' long term circumstances.

Under this proposal, households would report permanent changes in their circumstances. These would be changes that would affect future months' income and not sporadic changes. Because only permanent changes would be reported, the handling of changes by clients and caseworkers would be less susceptible to error and the household would have a better understanding of what would have to be reported. Finally, this proposal would be easier for State agencies to monitor and would set a uniform method to be followed in QC reviews.

The Department recognizes that this proposal poses some issues of its own, such as the need to have a different set of income reporting requirements for households with fluctuating income than for other households. The Department would appreciate comments, especially on how State agencies are currently handling changes in fluctuating income.

Current regulations do not provide for the reporting of changes by households which have filed food stamp applications but have not yet been certified. Both section 6(c) of the Food Stamp Act of 1977 and § 273.12(a)(1) of the current regulations require only participating or certified households to report. The Department proposes to correct this omission by requiring applying households to report changes which have occurred since the filing of the application at the food stamp interview. Applicants and eligibility workers would discuss such changes when attempting to anticipate future circumstances. The Department further proposes that households report changes that occur between the food stamp interview an the eligibility determination within ten days after being certified as eligible. This procedure will avoid imposing an unnecessary burden on households not yet participating in the program, yet will not allow important changes to go unreported. Allowing such households ten days after being certified to report is consistent with current reporting requirements.

### Fair Hearing Appeals—§ 273.15(q)

The PA regulations at 45 CFR 205.10(a) permit State agencies to establish a hearing appeals system which would provide recipients either a hearing before the State agency or an evidentiary hearing at the local level with a right of appeal to a State agency hearing. In the latter, a two-tier system, the second hearing can be either a "review hearing"of the prior evidence (if the recipient does not request another new hearing (a "de novo" hearing)) or it can be a "de novo" hearing.

The Food Stamp Program regulations at 7 CFR 273.15(q) provide that after a local level hearing which upholds the State agency action the household shall be notified of its right to request a completely new ("de novo") State agency level hearing. If a new hearing would pose an inconvenience to the household, a State level review of the local hearing may be requested instead of a new hearing. If the household indicates that it wishes to appeal, but does not select the method, the State agency shall proceed with a new State level hearing.

No comments were received on this subject but in the interest of conformity a change is proposed to adopt the PA policy. This proposal would allow State agencies the option of offering either a "de novo" or review hearing as the second tier in a two-tier system if the recipient does not specify a "de novo" hearing.

### Time Limits for Taking Collection Action—§ 273.18(d)(3)

Comments were received on bringing the programs' policies and procedures on recipient claims closer together. While many of the Food Stamp Program's requirements on recipient claims are statutory, those of the AFDC Program are not. The AFDC statute requires the collection of all overpayments except that States may elect not to take action to recover overpayments of less than $35 from individuals no longer receiving assistance. Within this framework the basic AFDC policy is that States develop policies for recovering overpayments and take all reasonable steps to promptly recover overpayments in a timely manner. Therefore, State agencies now have flexibility to conform the procedures of the AFDC Program to those of the Food Stamp Program.

There is, however a specific regulatory requirement in the AFDC Program establishing a time limit for the State agency to take action once a claim/overpayment has been identified. There is no similar provision in the Food Stamp Program. In this proposal, the Food Stamp Program will adopt the AFDC Program's requirement because it will enhance consistency as well as improve the efficiency of claims/overpayment collection efforts. This new provision would require the State agency to take one of the following actions by the end of the quarter following the quarter in which the need for a claim is first identified: (1) Recover the claim, (2) initiate action to locate and/or recover the claim from a non-recipient, (3) execute a repayment agreement or, if applicable, reduce the household's benefits, or (4) initiate action to recover the claim from a recipient who is not subject to benefit reduction. Where compliance with the above is not possible, the extenuating circumstances must be documented. For example, if collection of the claim would prejudice a potential fraud case or if there are problems with obtaining information needed to establish the claim, the State agency should document the appropriate details.

### *AFDC and Adult Assistance*

### Notice of Adverse Action § 205.10(a)(4)

Many commenters asked that the definitions for an adequate and timely notice be the same for both the AFDC and Food Stamp Programs. The AFDC and Adult Assistance programs' regulations at 45 CFR 205.10(a)(4)(i) (A) and (B), which define adequate and timely respectively, provide considerable flexibility for States to design notices and adopt policies which would accommodate the notice requirements of food stamps. Therefore, for the most part, proposed regulations represent adoption of a common, or at least similar, terminology with the Food Stamp Program rather than a change in current AFDC and Adult Assistance requirements.

There is, however, one policy change in the notice requirement proposed for the AFDC and Adult Assistance programs. This is addressed at § 205.10(a)(4)(ii)(B) of this rule which exempts from timely notice any termination of assistance resulting from a recipient's volunary oral request for termination in the presence of an eligibility worker. This change will permit States to terminate assistance at the oral request of the recipient without advance notice as is currently permitted by the Food Stamp Program. As for any case where action is taken without timely notice, agencies are required to send adequate notice of adverse action no later than the date of action; and, if the recipient requests a hearing within 10 days of the mailing of that notice, the State agency must reinstate assistance until a decision is rendered after the hearing. Thus, the recipient is protected in case there is a misunderstanding.

Subparagraphs in paragraph (ii) of § 205.10(a)(4) have also been reordered to be more like the order of regulations of the Food Stamp Program.

### Fair Hearings § 205.10(a) (7) and (13)

From the comments received and from analysis conducted in conjunction with development of this proposal, one change has been identified that would make the AFDC and Adult Assistance programs' fair hearings requirements more consistent with those in the Food Stamp Program. This proposal would amend 45 CFR 205.10(a)(7) to permit, at State option, reinstatement of assistance pending a hearing if the recipient has good cause for failing to request a hearing with the 10 days after the date of the action. Good cause is limited to circumstances beyond the recipient's control, e.g., hospitalization, death in the family. The current regulation already permits reinstatement if the recipient requests a hearing up to 10 days after the date of the action.

In addition to the change described above, this proposal also would add headings to a number of paragraphs in this section in order to make the regulations easier to read.

Some of the comments received requested regulatory changes which are unnecessary because States currently have the flexibility to modify their AFDC and Adult Assistance programs' fair hearing requirements in these areas to conform with those for the Food Stamp Program. For instance, a commenter requested that the AFDC Program adopt the Food Stamp Program provision that permits a participant to waive continuation of benefits pending a hearing decision. Section 205.10(a)(6)(i)(c) of a Final Rule published on March 18, 1986, in the **Federal Register** (Vol. 51, No. 52, p. 9203), makes it explicit that States may permit recipients to waive continuation of benefits.

Another area in which States have the option of establishing consistency is requests for hearings. Although the Food Stamp Program requires States to accept both oral and written requests, the AFDC and Adult Assistance regulation at 45 CFR 205.10(a)(5)(i) permits States to accept oral requests or to require that requests be in written form. Since some comments favored requiring acceptance of oral requests while others favored allowing States to accept written requests only, States will continue to have maximum flexibility in this area.

One commenter suggested that the AFDC regulation be amended to adopt the Food Stamp Program requirement that assistance must be continued pending a hearing if the timely notice period ends on a weekend or holiday and the hearing request is received the next day. Since the regulation at 45 CFR 205.10(a)(7) permits reinstatement of assistance if the request is received up to 10 days after the date of the action, States may institute such a provision without a change to the regulation.

Another recommendation would expand the AFDC regulation at § 205.10(a)(8) to match the detailed and specific Food Stamp Program requirements regarding the time, date, and place of the hearing and the content of the advance notification to the applicant or recipient. Since the existing regulation already permits States to have the same requirements and many, in fact, do, DHHS does not believe that it is necessary to amend the regulation to require the adoption of identical provisions.

One suggestion called for the AFDC Program to adopt a Food Stamp Program requirement with respect to the reinstatement and continuation of benefits pending a hearing decision. The Food Stamp Program's regulations at 7 CFR 273.12(e) require that, when benefits are automatically reduced or terminated because of a mass change, the benefits cannot be reinstated and continued pending the hearing unless the issue being contested is one of improper computation of benefits or misapplication or misinterpretation of Federal law or regulation. The corresponding AFDC and Adult Assistance programs' regulation at 45 CFR 205.10(a)(5) provides that, "A hearing need not be granted when either State or Federal law requires automatic grant adjustments for classes of recipients unless the reason for an individual appeal is incorrect grant computation." Since this provision permits a State to not grant a hearing when the sole issue being contested is the State or Federal law itself, it is broad enough to permit a State to grant a hearing if the issue is one of misapplication or misinterpretation of the law. Therefore, in actuality, a State could follow food stamp policy on this point.

### Social Security Numbers § 205.52

A number of commenters requested that similar policies with respect to Social Security Numbers (SSN) be adopted by both the AFDC and Food Stamp Programs. Most differences were addressed in the final Income and Eligibility Verification System (IEVS) Rule on section 1137 of the Social Security Act published in the **Federal Register** on February 28, 1986, (Vol. 51, No. 40 p. 7271). However, the final Food Stamp Program IEVS rule changes § 273.6 to permit continued participation when there is good cause for failure to complete an application for an SSN but the final AFDC and Adult Assistance IEVS rule at § 205.52 does not.

Current AFDC regulations provide for two procedures when an AFDC applicant/recipient is unable to furnish an SSN. First, States may execute agreements with the Social Security Administration whereby the State agency will complete an SSN application for the AFDC applicant/ recipient. If the individual is otherwise eligible, financial assistance is provided without undue delay. Secondly, in the non-agreement States, the regulations require that the AFDC applicant/recipient must apply directly to the Social Security office for an SSN. In this instance, the requirement "to apply" is very strictly interpreted. For example, the individual who actually applies at the Social Security office for an SSN and is told that the application cannot be completed because of the lack of necessary evidentiary documentation, is not considered, under current policy, to have met the requirement "to apply for an SSN." The trip(s) to the Social Security office, and the need to secure the required documentation (which is not always immediately available) contribute to the delay or denial of financial assistance under these circumstances.

In addition to moving towards consistency with food stamp policy, the proposed rule will remove a major obstacle to providing assistance payments to needy individuals. It will permit continued AFDC and Adult Assistance if the State agency has determined good cause exists for failing to complete the application for an SSN, e.g., the individual provides documentation that he or she has sent for and is awaiting receipt of a birth certificate from another State. If the State agency determines that good cause exists, and the applicant is otherwise eligible, the individual will be eligible for assistance for a period of no longer than four months. If the applicant has been unable to obtain the documents required to complete the SSN application, the State agency's eligibility worker should make every effort to assist the individual in obtaining these documents. Good cause for failure to apply must be shown monthly during the four-month period in order for the individual to continue to receive assistance. The State agency must maintain documentation of the good cause determination in the case file. Good cause will not exist when delays are due to factors such as illness, lack of transportation or temporary absence because the Social Security Administration makes provision for mail-in applications in lieu of applying in person.

### Jointly Held Resources—§ 233.20(a)(3)(ii)(D)

Some commenters suggested that changes be made which would permit consistency when resources are jointly owned by a member of the assistance unit (household) and a non-member. AFDC and Adult Assistance regulations at 45 CFR 233.20(a)(3)(ii)(D) require States to consider resources available for current use and further provide that resources are considered available when actually available, and when the applicant/recipient has a legal interest in a liquidated sum and has the legal ability to make such sum available for support and maintenance. An Action Transmittal, AT–82–27, dated November 1, 1982, interpreted this to mean that whether or not a jointly owned resource is considered available in its entirety to an applicant/recipient owner must be determined in accordance with applicable State law. An exception is made for resources jointly held by SSI and AFDC recipients. In those cases, the value of the jointly held resources are prorated among the owners.

Section 5(g) of the Food Stamp Act requires that the Secretary prescribe allowable amounts of liquid and nonliquid resources. Federal regulations at 7 CFR 273.8(d) specify that resources owned jointly shall be considered in their entirety to each owner unless the applicant/recipient can establish that such resources are inaccessible.

The programs are amended their regulations to provide that States must consider any jointly held available resource in its entirety to each owner unless State law prohibits noncontributory signatories from withdrawing joint account funds or liquidating resources for their own benefit. This proposal would also specify that this policy applies to resources jointly held by SSI and AFDC recipients. This change is consistent with section 402(a)(24) of the Social Security Act, as amended, which precludes States from counting an SSI recipient's income and resources in determining eligibility for AFDC and payment amounts. When State law permits unrestricted access to either individual, the resource belongs in its entirety to each individual even though it may be jointly held. The proposal therefore reflects the reality of what resources the individual has access to.

### Proration of Contractual and Self-Employment Income—§ 233.20(a)(3)(iii)

Current AFDC and Adult Assistance programs' regulations permit States to average or prorate income received by individuals paid on a contractual basis over the period of the contract and income received by farmers or self-employed individuals over the period covered by the income. On the other hand, Food Stamp Program regulations at 7 CFR 273.10(c)(3)(iii) and 273.11(a)(1) require State agencies to prorate income over twelve months for self-employed households and those under contract which derive annual income in periods less than one year.

The AFDC and Adult Assistance programs' regulations at 45 CFR 233.20(a)(3)(iii) would be revised to permit States to adopt the Food Stamp Program's policy and prorate an individual's annual income over a 12-month period. For example, school teachers who receive annual income in only nine months of the year would have their income prorated over twelve months, even if they only have a nine-month contract, as long as there is no evidence that they will not be rehired following the summer break.

### Averaging of Interest Income—§ 233.20(a)(3)(iii)

Commenters requested that the Food Stamp Program adopt AFDC policy on interest income. However, this request was based on the commenters' misconception that the AFDC Program requires that interest income be counted as a resource. Current regulations of all the programs require that under retrospective budgeting interest be counted as income in the budget month in which it is received. It is difficult and time consuming to determine and verify interest income monthly. Therefore, because there is usually a small amount involved and statements may not be available on a monthly basis, the Programs propose to amend their regulations to permit States to project monthly interest income by periodically averaging monthly interest income. This will ease their administrative burden while accurately reflecting what income is available.

### Self-Employment Income—§ 233.20(a)(6)(v)(B)

Commenters suggested that the same business expense deductions from gross self-employment income be used for each program. Although the current AFDC regulation at 45 CFR 233.20(a)(6)(v)(B) limits deductions only to those expenses ". . . without which the goods or services could not be produced," it does not identify the same specific prohibitions contained in the Food Stamp Program's regulations at 7 CFR 273.11(a)(4)(ii). This proposal only applies to AFDC and would amend the regulation at 45 CFR 233.20(a) to specifically exclude the following additional items from business expenses: Net losses from prior periods; money set aside for retirement purposes; the purchase price or payments on the principal of loans for equipment or machinery; and Federal, State or local personal income taxes.

A number of commenters requested that the Food Stamp Program adopt the AFDC Program's policies on determining the business expenses associated with income produced by providing room and board. This proposed rule codifies what has been a longstanding AFDC and Adult Assistance Program's policy by adding a new paragraph (C) to 45 CFR 233.20(a)(6)(v) to expressly permit States, in lieu of actual expenses, to use a flat amount or fixed percentage of breader-generated gross income to determine business expenses. The maximum deduction, whether a flat amount or fixed percentage, can be no more than 75 percent as long as the method used has an objective and justifiable basis. (Rationale is provided for the 75 percent in the food stamp discussion of this issue.) In any case, actual expenses must be used if the applicant or recipient can demonstrate that the actual expenses are higher than those which result from use of the State's method.

### Conversion to Monthly Income—§ 233.31(b)

Several commenters proposed that the AFDC Program amend regulations to permit States to use conversion factors for weekly and bi-weekly income as is currently permitted under the Food Stamp Program's regulations at 7 CFR 273.10(d)(2). The definition of prospective budgeting would be amended at 45 CFR 233.31(b) to state that a best estimate may be derived by multiplying weekly amounts by 4.3 and bi-weekly amounts by 2.15. This would not, however, relieve States from adjusting for any overpayments and underpayments which result when the best estimate does not reflect actual income. Conversion may not be used to adjust a payment budgeted retrospectively. Using conversion factors is already permissible for the Adult Assistance Programs.

## Regulatory Changes Which Will Not Be Made

A number of commenters suggested changes to provisions which were not adopted because of policy considerations or statutory requirements. This section discusses these issues.

### *Policy Issues*

### Face-to-Face Interviews for AFDC and Adult Assistance

Several commenters suggested that the AFDC and Food Stamp Programs have consistent policy requirements for face-to-face interviews. Another commenter asked that the AFDC Program permit States to waive face-to-face interviews under circumstances that parallel those in the Food Stamp Program. Another commenter proposed that the Food Stamp Program should only require face-to-face interviews at certification and every 12 months thereafter.

Final rules for AFDC at § 206.10(a)(9)(iii) published in the **Federal Register** March 18, 1986 (Vol. 51, No. 52, p. 9203) require that at least one AFDC redetermination for each individual case every 12 months must be face-to-face. The regulation does not specify where it must take place. However, the Adult Assistance Program's regulations currently in effect do not require face-to-face interviews either at application or redetermination. On the other hand, the Food Stamp Program's regulations at 7 CFR 273.2(e) and 272.7(g) require that a face-to-face interview be held in a food stamp office or other certification site prior to initial certification and all recertifications. The State agency may waive the office interview in very limited circumstances and, instead, schedule a home interview or, in very limited circumstances, conduct the interview by telephone.

The AFDC Program's regulations are not being changed to permit waivers of face-to-face interviews. Inasmuch as the waiver would apply for AFDC in only very limited circumstances, it does not justify a regulatory change. Personal contact is essential to identify inconsistencies in information provided by the family. Since AFDC interviews may be scheduled in the home or office, where most of the Food Stamp interviews take place, and is only required every 12 months, conflict between the two programs' requirements should be rare and the administrative burden minimal.

### Use of Authorized Representatives

Commenters requested that States be required to permit the use of authorized representatives in the AFDC Program. The existing regulation at 45 CFR 206.10(a)(1)(ii) now provides for the use of authorized representatives in the application process, in that it requires a written application "from the applicant himself, or his authorized representative. . . ." Similarly 45 CFR 205.10(a)(3)(iii) provides for an authorized representative in the hearing process. This proposal will not, however, expand the AFDC or the Adult Assistance Programs' regulations to require the use of authorized representatives to the same extent as in the Food Stamp Program. To do so would require permitting an authorized representative to substitute for a recipient in redeterminations and for AFDC would conflict with the philosophy of the Final Rule at 45 CFR 206.10(a)(9) published March 18, 1986 which requires face-to-face redeterminations at least once every 12 months. The importance of the face-to-face redetermination in reducing erroneous payments is sufficient to preclude any expansion of the AFDC Program's authorized representative provisions.

### Accessory Value of Vehicles

The recommendation that the AFDC Program exclude the value of accessories and optional features in determining the value of a vehicle is not being adopted. The Food Stamp Program, for the most part, uses the fair market value of licensed vehicles and only counts that value as a resource to the extent that it exceeds $4,500. On the other hand, AFDC regulations at 45 CFR 233.20(a)(3)(i)(B)(2) permit States to exclude from consideration as a resource the equity value of a car up to $1,500 and apply any excess to the $1,000 resource limit. AFDC, therefore, counts the value of accessories, except for special equipment for the handicapped, because it values this car in the same way as it values other resources, i.e., the amount that would be received if the item were sold. The accessory value of vehicles would not affect households categorically eligible for food stamps as these households would have the AFDC policy applied. However, under 45 CFR 233.20(a)(3)(i)(A), the Adult Assistance programs permit States to exclude the full value of an automobile including accessories.

### Earned Income In-Kind

Some commenters proposed that the AFDC Program adopt the Food Stamp Program's regulations at 7 CFR 273.9(c)(1) which preclude States from counting earned income received in-kind. Alternatively, another commenter suggested that the Food Stamp Program adopt the AFDC Program's regulations at 45 CFR 233.20(a)(6)(iii) which provide that earned income includes earned income received in-kind and must be counted. However, the Food Stamp Program is precluded by statute from counting any in-kind income. We propose not to change AFDC or Adult Assistance regulations. It is appropriate to treat earned income received in-kind differently by both programs because of each program's focus. Generally the most common example of earned income received in-kind is shelter. AFDC and Adult Assistance payments are made to meet basic needs which include shelter; therefore, if the employer provides shelter rather than cash, it is appropriate to count it.

### Irregular/Infrequent (Casual/Inconsequential) Income

Several commenters suggested that the AFDC Program adopt the Food Stamp Program's policy on irregular and infrequent income. Food Stamp Program regulations at 7 CFR 273.9(c)(2) implementing section 5(d)(2) of the Food Stamp Act of 1977, as amended, require that States disregard any income in the certification period which is received too infrequently or irregularly to be reasonably anticipated but not in excess of $30 in a quarter. The AFDC Program is not adopting the Food Stamp Program's policy because it wishes to see the impact of final AFDC regulations at § 233.20(a)(3)(iv) recently published in the Federal Register on March 18, 1986 (Vol. 51, No. 52, p. 9205) which provide that States may exclude only gifts which represent reasonable, nominal amounts not to exceed $30 for any recipient for any quarter, e.g., Christmas, graduation, and birthday gifts. We propose no change in Adult Assistance regulations which currently permit States to conform to food stamp policy.

### Vendor Payments

Some commenters proposed that the AFDC Program adopt the Food Stamp Program's policy at 7 CFR 273.9 which follows section 5(d) of the Food Stamp Act and excludes certain vendor payments (third-party payments) from income.

The AFDC Program's regulations do not address the treatment of vendor payments as unearned income. However, longstanding AFDC and Adult Assistance policy permits States to disregard the value of vendor payments as in-kind income. No changes are being proposed at this time in the treatment of vendor payments.

### Educational Grants, Loans and Scholarships and Non-educational Loans—§ 233.20(a)(3)(iv)

Some commenters suggested that the AFDC and Food Stamp Program policies on educational grants and loans be made the same, while others requested that the AFDC Program adopt the Food Stamp Program policy of excluding non-educational loans from consideration as income.

The current AFDC and Adult Assistance regulation at 45 CFR 233.20(a)(3)(iv)(B) requires the exclusion of "* * * loans and grants, such as scholarships, obtained and used under conditions that preclude their use for current living costs." An exception to the AFDC and Adult Assistance regulation, however, established by Pub. L. 90-575 (the Higher Education Act), mandates that the AFDC and Adult Assistance programs totally exclude all loans and grants made under the auspices of the Department of Education. The Food Stamp Program's statutory requirement is that deferred-payment educational loans, grants and like must be excluded to the extent they are used for tuition, mandatory school fees and certain other educational expenses at an institution of post secondary education or school for the handicapped. The programs, while similar in the treatment of educational loans, differ considerably in the treatment of non-educational loans. In the Food Stamp Program, it is a statutory requirement to exclude non-educational loans from consideration as income. In the AFDC and Adult Assistance programs, non-educational loans have been considered under the same criteria as educational loans, i.e., they are excluded if they are "* * * obtained and used under conditions that preclude their use for current living costs." However, the AFDC Program is not adopting the Food Stamp Program's policy at this time pending further review.

### Fair Hearings

Two issues were raised by commenters on fair hearings. One was to make the time periods for the State agency to complete action on a fair hearing request the same and the other was to make the limits for applicants and recipients to request fair hearings the same. The AFDC program gives the State agency 90 days after the applicant's or recipient's request for a fair hearing to take final administrative action. The Food Stamp Program allows 60 days. At this time, no changes are being proposed to the fair hearing time frames because of differences in what must be accomplished in each program within the specified time frame and because the House Committee Report regarding the 1977 Food Stamp Act (H.R. Rep. No. 95-464) urges the program to use 60 days.

The second issue was whether food stamps should conform to the AFDC Program's 90-day time limit for an applicant or recipient to request a fair hearing. Under Food Stamp regulations, a household may request a fair hearing within 90 days of the action of which it is aggrieved or at any time during the certification period. About half of the persons or groups that commented on this issue wanted the Food Stamp Program to delete the requirement that a household could request a fair hearing at any time during its certification period. The Department of Agriculture has decided not to revise the current provision because the Department feels that a household should have the right to a fair hearing to correct any action which occurs at any time during its certification period.

### Statutory Issues

Commenters suggested many changes which cannot be made through regulation because the requirements are established by the statutes governing the AFDC and Food Stamp Programs. Both Departments are exploring a number of these suggestions for upcoming legislative initiatives. Those policy areas where commenters suggested changes which are precluded from conformity by statute are:

STATUTORY PROVISIONS

| Policy | AFDC program | Food stamp program |
|---|---|---|
| Lump Sums [1] | Counts as income | Counts as a resource. |
| Child Support Exclusion for Title IV-D Payments [1]. | Disregards first $50 in child support collected each month. | Permits States to disregard first $50 as does AFDC *if* the State reimburses USDA. |
| Earnings of Students under 18 [1] | State has option to disregard any earnings of a dependent child who is a full-time student in the determination of eligibility for up to six months per calendar year. (This disregard is applicable to both applicants and recipients). | Excludes as income. |

STATUTORY PROVISIONS—Continued

| Policy | AFDC program | Food stamp program |
|---|---|---|
| | Disregards earnings of a dependent child who is a full-time student or is a part-time student who is not employed full-time in the determination of need and the amount of payment. (This disregard is applicable to recipients only).<br>Applies the general earned income deductions to other students 18 years old or under. | |
| Earnings of 18-year-old High School Students [1]. | Same as above | Counts as earned income. |
| Earned Income Deductions | Disregards: $75 standardized work expense deduction.<br>Actual costs up $160 per month per dependent child or incapacitated adult living in the same home and receiving AFDC when employment is full time. A lesser amount is set by the State for part-time employment.<br>$30 and one-third of remainder in four consecutive months; then $30 is available in eight additional consecutive months. The disregard is not applied again until the person has been off the AFDC rolls for a period of 12 consecutive months. | Disregards 20% of total gross household earnings.<br>Actual costs up to $160 per month per household when care for a dependent or an incapacitated adult is needed to accept or continue full or part-time employment or to conduct job search. |
| Earnings Under JTPA State Training Programs [1]. | State has option to disregard income of any dependent child. Earned income may be disregarded for up to six months per calendar year. (Unearned income may be disregarded indefinitely.).<br>Earnings of other JTPA program participants are disregarded under the general AFDC earned income deductions.<br>State has option to disregard unearned income of other IV–A program participants to the extent permitted under the complementary program relationship regulatory provision. | Included as earned income except for dependents under 19. |
| Dependent Care Deduction | Actual costs up to $160 per month per dependent child or incapacitated adult living in the same home and receiving AFDC when employment is full time. A lesser amount is set by State for part-time employment. | Actual costs up to $160 per month per household when care is needed for dependent child or incapacited adult in order to accept or continue full or part-time employment to do job search and for certain students. |
| Definition of Proper Payments for Recoupment | Changes in circumstances that affect eligibility or payments in the month in which the change occurs is either an overpayment or underpayment for that month. | Changes in circumstances reported as required do not affect benefits in the month the change occurs. |
| Cash Surrender Value of Life Insurance [1] | Counts as a resource | Excludes as a resource. |
| Income-Producing Real Property [1] | Same as other real property: counts as a resource except allows conditional AFDC payments for up to 9 months if trying to sell real property other than house. | Excludes as a resource if producing income consistent with fair market value but counts income. |
| Vehicles [1] | Excludes equity value prescribed by Secretary—first $1500 of (including accessories) and counts remainder as available resource. State may set lower limit. | Counts market value in excess of $4,500 (excluding accessories) with amount over $4,500 counted counts equity value of excess vehicles. |
| Resource Limits [1] | Allows $1,000 per assistance unit. State may set lower limit. | Allows $2,000 per household or $3,000 for households with an elderly member(s). |
| Strikers | Assistance unit is ineligible if either parent is on strike last day of month; otherwise only non-parent ineligible if on strike last day of the month. | Household ineligible if any member is on strike unless household was eligible prior to strike or member is exempt from work registration. |
| Frequency of Work Registration | Nonexempt individual must register for work once and registration continues with eligibility. | Nonexempt household member must register at certification and once every 12 months thereafter. |
| Collections of Claims/Overpayments by Recovery from Grant or Allotment. | Mandatory for all types of overpayments including State agency error. | Mandatory for fraud claims and household errors; voluntary for State agency errors. |
| Special Needs | Includes in States need standard | Includes as income as statute does not list as specific exclusion. |
| Potential Sources of Income | Requires that AFDC applicants explore and, if potentially eligible, apply for benefits from other programs. | Statute does not permit approval for food stamps to be conditioned upon application for any other program. |

**Implementation**

The proposed implementation schedule would be that the revised regulatory requirements would be implemented for all AFDC and Adult Assistance cases and for new food stamp cases 90 days from the first of the month following publication. For other food stamp cases, conversion would be at recertification or when other changes are being processed, including monthly reports occurring after 90 days from the first month following publication. As for State agency options, these could be adopted at any time, as long as implementation is done uniformly. Changes to notices for conformity purposes would be done within 180 days from the first of the month following the month of publication.

**List of Subjects**

*7 CFR Part 273*

Administrative practice and procedure, Aliens, Food stamps, Fraud, Grant programs-social programs, Penalties, Reporting and recordkeeping requirements, Social security, Students.

*45 CFR Part 205*

Administrative practice and procedure, Aid to families with dependent children, Family assistance, Grant programs-social programs, Public assistance programs, Reporting requirements.

*45 CFR Part 233*

Aid to families with dependent children, Aliens, Family assistance, Grant programs-social programs, Public assistance programs, Reporting requirements.

Accordingly, 7 CFR Part 273 and 45 CFR Parts 205 and 233 are proposed to be amended as follows:

## PART 273—CERTIFICATION OF ELIGIBLE HOUSEHOLDS

1. The authority citation for 7 CFR Part 273 continues to read as follows:

**Authority:** 7 U.S.C. 2011–2029

2. In § 273.2:

a. Paragraph (e) is amended by revising paragraph (e)(3) in its entirety.

b. In paragraph (g)(3), the second and third sentences are revised.

c. The text of paragraph (h)(1) is revised in its entirety.

d. Paragraph (h)(2) is removed and paragraphs (h)(3) and (h)(4) are redesignated (h)(2) and (h)(3) respectively.

e. In the newly redesignated paragraph (h)(3):

1. Sentences 3 and 4 in (h)(3)(i) are removed;

2. The last sentence of (h)(3)(ii) is removed; and

3. Paragraph (h)(3)(iii) is removed.

The additions and revisions read as follows:

**§ 273.2 Application processing.**

* * * * *

(e) *Interviews.* * * *

(3) The State agency shall schedule all interviews as promptly as possible to ensure that eligible households receive an opportunity to participate within 30 days after the application is filed. If the household fails to appear for the first scheduled interview, the State agency is not required to initiate any further action to reschedule a second interview. While the State agency may initiate efforts to schedule a second interview, it is the household's responsibility to schedule the interview. The State agency may either immediately deny the household after it misses the interview or may deny the household 30 days after the application was filed.

(i) State agencies which deny households immediately after the household misses the first scheduled interview must so advise the household in writing on the application materials or on a separate information sheet provided to the household at the time the household receives an application or schedules its initial interview. Such agencies must also advise the household in the manner stated above that the household will have to reapply if it misses the scheduled interview. Denial notices shall be sent immediately after the scheduled interview is missed.

(ii) State agencies which deny households when the 30-day processing time has elapsed after the household misses the first scheduled interview and no other interview was conducted, must advise the household in the same manner as in paragraph (e)(3)(i) of this section that if the household misses that first interview the household will be denied unless an interview is conducted within the 30-day processing time period. Denial notices must be sent on the 30th day following the date of application as provided in § 273.2(g)(3).

* * * * *

(g) *Normal processing standard.* * * *

(3) *Denying the application.* * * * The State agency may either send the notice of denial immediately after the household misses one scheduled interview or send the notice of denial on the 30th day following the date of application. If a notice of denial is sent immediately after the first interview is missed or on the 30th day, it shall explain to the household that it must file a new application if it wishes to participate in the Program.

(h) *Delays in processing.* * * *

(1) *Determining cause.* The State agency shall first determine whether the cause of the delay is the household or the State agency. If it is the household's fault, the State agency shall deny the household. If the delay is caused by the State agency, the procedure in paragraphs (h)(2) and (h)(3) of this section shall be followed.

* * * * *

3. In § 273.3, the first sentence is removed and three new sentences added in its place to read as follows:

**§ 273.3 Residency.**

Households must be living in the State in which they file applications for participation. Within the State, the State agency may establish project areas as defined in § 271.2. The State agency may also require households to file applications for participation in specified project areas or offices. * * *

4. In § 273.7, paragraph (b)(1)(ix) is added.

The addition reads as follows:

**§ 273.7 Work registration requirements.**

* * * * *

(b) *Exemptions from work registration.*

(1) * * *

(ix) A pregnant woman when it is verified, on the basis of medical evidence, that the child is expected to be born in the month that registration otherwise would be required or within the next 3 months.

* * * * *

5. In § 273.8:

a. Paragraph (d) is amended by redesignating paragraphs (d)(1) and (d)(2) as paragraphs (d)(2)(i) and (d)(2)(ii), respectively, designating the first three sentences of introductory paragraph (d) as paragraph (d)(1), designating the last two sentences of introductory paragraph (d) as paragraph (d)(2) introductory text and a new sentence is added at the end of newly designated paragraph (d)(1).

---

[1] Because of categorical eligibility for households with all members receiving or authorized to receive PA and/or SSI benefits, food stamp eligibility is determined solely on the basis of the household's PA/SSI status. In this sense, the PA resource and income definitions are used to determine food stamp eligibility.

b. The first sentence of (e)(2) is revised and a new sentence is added immediately following that sentence.

The revisions and additions read as follows:

### § 273.8 Resource eligibility standards.

* * * * *

(d) *Jointly owned resources.* (1) * * * In addition, jointly-held available resources, such as accounts in financial institutions, shall not be counted as a resource for each household if State law prohibits noncontributory signatories from withdrawing funds from or liquidating such assets for their own benefit.

* * * * *

(e) *Exclusions from resources.* * * *

(2) Household goods, the cash value of life insurance policies, personal effects including one burial plot (no limit) per household member and one formal burial or funeral agreement per household member, provided that the agreement does not exceed $1,500 in equity value, in which event the value above $1,500 is counted. Examples of formal agreements are those from which no withdrawals can be made or if withdrawals are allowed there is a contractual obligation to make repayment. * * *

* * * * *

6. In § 273.10:

a. A new paragraph (c)(1)(iii) is added.

b. Paragraph (g)(1)(i)(A), is amended by rembving the last four sentences and adding a new sentence in their place.

c. Paragraph (g)(1)(ii) is amended by revising the first sentence, removing the second sentence and adding two new sentences in its place, and by removing all text following the sentence which ends with the words "PA and/or SSI benefits."

d. Paragraph (g)(1)(iii) is revised in its entirety.

The revisions and additions read as follows:

### § 273.10 Determining household eligibility and benefit levels.

* * * * *

(c) *Determining income*—(1) *Anticipating income.* * * *

(iii) When determining interest income the State agency has the option of: Prorating interest, using the total interest income and dividing it by the number of months it covers, e.g., annually, semi-annually, and/or quarterly; using an average of each month's interest amounts adjusted for any known differences from the information used for the average; or counting each month's actual amount. Any of these procedures may be used for households prospectively or retrospectively budgeted, regardless of whether a monthly report is submitted. The State agency has the option of how the household reports the interest information on the monthly report.

* * * * *

(g) *Certification notices to households.*

(1) * * *

(i) *Notice of eligibility.* (A) * * * The notice shall also advise the household of its right to a fair hearing and, if the State agency chooses, a statement on reporting changes since the application was filed.

* * * * *

(ii) *Notice of denial.* If the application is denied, the State agency shall provide the household with written notice explaining the basis for the denial and the household's right to request a fair hearing. The State agency shall also use a notice of denial when a delay was caused by the household's failure to take action to complete the application process within the 30-day processing standard. If the State agency elects to deny a household immediately following a missed interview, as specified in § 273.2(e), the notice shall inform the household of its right and responsibility to contact the agency in order to reapply. * * *

(iii) *Notice of pending status.* If the application is to be held pending because some action by the State is necessary to complete the application process, as specified in § 273 (h)(2) and (h)(3), the State agency shall include on the notice of pending status the date by which the household must provide the missing verification.

* * * * *

7. In § 273.11:

a. Paragraphs (a)(4)(ii)(A) and (a)(4)(ii)(C) are revised in their entirety.

b. Paragraph (b)(1)(ii) is revised.

The revisions read as follows:

### § 273.11 Action on households with special circumstances.

(a) *Self-employment income.* * * *

(4) *Allowable costs of producing self-employment income.* * * *

(ii) * * *

(A) The purchase price or payments on the principal of loans for the purchase of capital assets, equipment, machinery, property or other durable goods;

* * * * *

(C) Money set aside for retirement purposes; Federal, State or local personal income taxes; personal business, entertainment and transportation expenses; and

* * * * *

(b) *Boarders*—(1) *Household with boarders.* * * *

(ii) *Cost of doing business.* In determining the income received from boarders, the State agency shall exclude that portion of the boarder payment which is a cost of doing business. To ascertain the cost of doing business, a State may use, in lieu of actual expenses, a flat amount or a fixed percentage of the gross income, provided that the method used is objective and justifiable, is stated in the State's Plan of Operation, manual, or directive and the result does not exceed 75% of the gross income from boarder-generated payments. However, if the applicant or recipient can show that the actual costs of doing business are higher than those resulting from application of the State's method, the State must use the higher amount. The cost of doing business shall not exceed the payment the household receives from the boarder for lodging and meals.

* * * * *

8. In § 273.12, introductory paragraph (a)(1) and paragraphs (a)(1)(i) are revised and (a)(2) is amended by adding a new sentence after the first sentence.

The revisions and addition read as follows:

### § 273.12 Reporting changes.

(a) *Household responsibility to report.* (1) Certified and applicant households are required to report the following changes in circumstances:

(i) Changes in income:

(A) Households with fluctuating income shall report changes in the source or in the wage rate of fluctuating income and changes in the numbers of hours worked by household members with fluctuating income;

(B) Households without fluctuating income shall report changes in the sources of income or in the amount of gross, monthly, non-fluctuating income of more than $25;

(C) Households shall not be required to report changes in the public assistance grant, or in the general assistance grant in project areas where GA and food stamp cases are jointly processed in accordance with § 273.2(j)(2). Since the State agency has prior knowledge of all changes in the public assistance grant and general assistance grants, action shall be taken on the State agency information;

* * * * *

(2) * * * Applicant households that have not yet been certified when the change occurs shall report changes at the certification interview or, for changes occurring after the interview but before the eligibility determination,

within 10 days after the date of the determination. * * *

* * * * *

9. In § 273.13:

a. Paragraph (a) is revised.

b. Paragraph (b) is redesignated as paragraph (c).

c. A new paragraph (b) is added.

d. Newly redesignated introductory paragraph (c) is revised, paragraphs (c)(3) through (c)(13) are removed and a new paragraph (c)(3) is added.

e. A new paragraph (d) is added.

### § 273.13 Notice of adverse action.

(a) *Use of notice.* (1) Prior to any action to reduce or terminate a household's benefits within the certification period, the State or local agency shall give a timely and adequate notice of adverse action, except as provided for in paragraphs (b), (c) and (d) of this section. An adequate notice for purposes of this section shall be a written notice that explains in easily understandable language: The proposed action; the reason for the proposed action; the specific regulations (either State or Federal citation) supporting such action, or a statement of the specific law requiring such action when changes in State or Federal law require automatic grant adjustments for classes of recipients; the household's right to request a fair hearing; and the circumstances under which assistance is continued if a hearing is requested; and, if the agency action is upheld, that any overissuances must be repaid. For the purpose of a monthly reporting retrospective budgeting system, the definition of "adequate notice" in § 271.2 shall apply.

(2) "Timely" is defined as the advance notice period set by the State agency for its PA caseload provided the notice is mailed at least 10 days before the date of action, i.e., the date upon which the action would become effective. Unless it waives its right, as discussed in § 273.15(k), the household shall receive continued benefits if it requests a fair hearing within 10 days after the timely notice is mailed. If the adverse notice period ends on a weekend or holiday and a request for a fair hearing and continuation of benefits is received the day after the weekend or holiday, the State agency shall consider the request received within the request period.

(b) *Exemptions from timely notice.* The agency shall send adequate notice as defined in paragraph (a)(1) of this section no later than the date of the action when:

(1) The agency receives a clear written statement signed by the household that it no longer wishes assistance or that gives information which requires termination or reduction of assistance based solely upon the household's written information with these conditions:

(i) The household retains its right to a fair hearing;

(ii) The household retains its right to continued benefits by requesting a fair hearing within ten days of the date the notice was mailed; and

(iii) The State agency continues the household's previous benefit level, if required, within five working days of the household's request for a fair hearing.

(2) The household voluntarily requests in the presence of a caseworker that its participation be terminated. The household retains the rights listed in paragraphs (b)(1) (i) through (iii) of this section.

(3) The household's whereabouts are unknown and mail directed to it has been returned by the post office indicating no known forwarding address. The household's benefits must, however, be made available to it within five working days if its whereabouts become known during the payment period covered by a returned benefit. The household has a right to a fair hearing and continued benefits with this notice.

(c) *Exemptions from notice.* Under the following circumstances, a timely and adequate notice shall not be provided, although an informational notice may be provided:

* * * * *

(3) The State agency determines, based on reliable information, that the household has moved from the State or, if where a household may apply is limited, the jurisdiction or project area established by the State agency.

(d) *Specific notices.* Under the following circumstances a timely and adequate notice is not required. Rather, the notice specified for each circumstance shall be provided:

(1) The State agency has elected to assign a longer certification period to a household certified on an expedited basis and for which verification was postponed, provided the household has received written notice that the receipt of benefits beyond the month of application is contingent on its providing the verification which was initially postponed and that the State agency may act on the verified information without further notice as provided in § 273.2(i)(4).

(2) The State agency is converting a household from cash and/or food stamp coupon repayment to benefit reduction as a result of failure to make agreed upon repayment as discussed in § 273.18(g)(2)(ii).

(3) The State agency is terminating the eligibility of a resident of a drug or alcoholic treatment center or a group living arrangement if the facility loses either its certification from the appropriate agency or agencies of the State (as defined in § 271.2) or has its status as an authorized representative suspended due to FNS disqualifying it as a retailer. The notice requirements for these instances are discussed in § 273.11(e)(7) and (f)(6). However, residents of group living arrangements applying on their own behalf are still eligible to participate.

(4) The household has been receiving an increased allotment to restore lost benefits, the restoration is complete, and the household was previously notified in writing of when the increased allotment would terminate.

(5) The household's allotment varies from month to month within the certification period to take into account changes which were anticipated at the time of certification, and the household was so notified at the time of certification.

(6) The household jointly applied for PA/GA and food stamp benefits and has been receiving food stamp benefits pending the approval of the PA/GA grant and was notified at the time of certification that food stamp benefits would be reduced upon approval of the PA/GA grant.

(7) A household member is disqualified for an intentional Program violation, in accordance with § 273.16, or the benefits of the remaining household members are reduced or terminated to reflect the disqualification of that household member. The notice requirements for individuals or households affected by intentional Program violation disqualification are explained in § 273.16.

(8) The State agency must change the household's benefits back to the original benefit level as required in § 273.12(c)(1)(iii).

10. In § 273.15, the first sentence of paragraph (b) and paragraph (q)(3)(ii) are revised.

The revisions read as follows:

### § 273.15 Fair hearings.

* * * * *

(b) *Hearing system.* Each State agency shall provide for either a fair hearing at the State level or for a hearing at the local level which permits the household to further appeal a local decision to a State level "de novo" hearing or State level review of the local level hearing. * * *

* * * * *

(q) *Hearing decisions* * * *

(3) * * *

(ii) After a local level hearing decision which upholds the State agency action, the household shall be notified of available appeal rights and that a reversal of the decision may result in the restoration of lost benefits to the household. A clear description of available appeal procedures must be included to enable the household to make an informed choice if it wishes to appeal.

* * * * *

11. In § 273.18, paragraph (d)(3) is amended by redesignating paragraphs (d)(3)(i) through (iii) as (d)(3)(iii) through (v), respectively and adding new paragraphs (d)(3)(i) and (d)(3)(ii) to read as follows:

### § 273.18 Claims against households.

* * * * *

(d) *Collecting claims against households.* * * *

(3) *Initiating collection on claims.* (i) The State agency shall take one of the following actions by the end of the quarter following the quarter in which the claim is first identified:

(A) Recover the claim;

(B) Initiate action to locate and/or recover the claim from a former recipient;

(C) Execute a recovery agreement from a current recipient or initiate allotment reduction, if appropriate; or

(D) Initiate action to recover the claim from a current recipient if allotment reduction is not appropriate.

(ii) Problems with meeting any of the deadlines in paragraph (3)(i) of this section shall be documented.

* * * * *

12. The authority citation for 45 CFR Parts 205 and 233 continues to read as follows:

Authority: Sec. 1102, 49 Stat. 647; 42 U.S.C. 1302.

## PART 205—GENERAL ADMINISTRATION—PUBLIC ASSISTANCE PROGRAMS

Part 205 of Chapter II, Title 45, Code of Federal Regulations is amended as set forth below:

13. Section 205.10 is amended by:

a. Adding titles to paragraphs (a)(4), (a)(5), (a)(6), (a)(13), (a)(14) and (a)(15).

b. Revising paragraphs (a)(4)(i), (a)(4)(ii) and (a)(7). The introductory text of paragraph (a)(4) is republished.

The revisions and additions read as follows:

### § 205.10 Hearings.

(a) * * *

(4) *Notice of adverse action.* In cases of intended action to discontinue, terminate, suspend or reduce assistance or to change the manner or form of payment to a protective, vendor, or two-party payment under § 234.60:

(i) The State or local agency shall give a timely and adequate notice of adverse action, except as provided for in paragraphs (a)(4) (ii), (iii) and (iv) of this section.

(A) An adequate notice shall be a written notice that explains in easily understandable language: The proposed action; the reason for the proposed action; the specific regulations supporting such action, and/or a statement of the specific law requiring such action when changes in State or Federal law require automatic grant adjustments for classes of recipients; the individual's right to request an evidentiary hearing (if provided) and a State agency hearing; the circumstances under which assistance is continued if a hearing is requested and, if the agency action is upheld, that such assistance must be repaid under title IV–A and must also be repaid under titles I, X, XIV or XVI (AABD) if the State plan provides for recovery of such payments.

(B) The notice of adverse action shall be considered timely if the notice is mailed at least 10 days before the date of action, i.e., the date upon which the action would become effective.

(ii) *Exemptions from timely notice.* The agency may dispense with timely notice but shall send an adequate notice of adverse action not later than the date of action when:

(A) The agency receives a clear written statement signed by a recipient that he no longer wishes assistance, or that gives information which requires termination or reduction of assistance based solely upon the recipient's written information, and the recipient has indicated, in writing, that he understands that this must be the consequence of supplying such information.

(B) The recipient orally voluntarily requests in the presence of an eligibility worker that assistance be terminated;

(C) The recipient's whereabouts are unknown and agency mail directed to him has been returned by the post office indicating no known forwarding address. The recipient's check must, however, be made available to him if his whereabouts become known during the payment period covered by a returned check;

(D) For AFDC, the agency takes action because of information the recipient furnished in a monthly report or because the recipient has failed to submit a complete or a timely monthly report without good cause (See § 233.37);

(E) A recipient has been accepted for assistance in a new jurisdiction and that fact has been established by the jurisdiction previously providing assistance.

(F) A special allowance granted for a specific period is terminated and the recipient has been informed in writing at the time of initiation that the allowance shall automatically terminate at the end of the specified period;

(G) The agency has factual information confirming the death of a recipient or of the AFDC payee when there is no relative available to serve as new payee;

(H) The recipient has been admitted or committed to an institution, and further payments to that individual do not qualify for Federal financial participation under the State plan;

(I) The recipient has been placed in skilled nursing care, intermediate care or long-term hospitalization;

(J) The agency has made a presumption of mismanagement as a result of a recipient's nonpayment of rent and provides for post hearings in such circumstances.

(K) An AFDC child is removed from the home as a result of a judicial termination, or voluntarily placed in foster care by his legal guardian.

* * * * *

(5) *Availability of hearings.* * * *

(6) *Continuation of assistance.* * * *

(7) *Reinstatement of assistance.* If a recipient requests a hearing after the date of the action:

(i) A State may, at its option, reinstate and continue assistance until the hearing decision, except as provided for in paragraphs (a)(6)(i)(A), (B) and (C) of this section, if:

(A) The recipient requests a hearing no more than 10 days after the date of action; or

(B) The recipient requests a hearing more than 10 days after the date of action but establishes good cause for failing to do so within the 10 days following the action. Good cause is limited to circumstances beyond the recipient's control, e.g., hospitalization, death in the family.

(ii) A State must reinstate and continue assistance, except as provided for in paragraphs (a)(6)(i)(B) and (C) of this section, if:

(A) The action was taken without timely notice;

(B) The recipient requests a hearing within 10 days of the mailing of the notice of the action; and

(C) The agency determines that the action resulted from other than the application of State or Federal law or policy or a change in State or Federal law.

* * * * *

(13) *Hearing process rights.* * * *

(14) *Hearing record.* * * *

(15) *Hearing decisions.* * * *

* * * * *

14. Section 205.52 is amended by designating paragraph (a)(2) as (a)(2)(i) and by adding new paragraphs (a)(2) (ii) and (iii) to read as follows:

### § 205.52 Furnishing of social security numbers.

* * * * *

(a) * * *

(2) * * *

(ii) If the applicant or recipient has been unable to complete the application for an SSN because the necessary documentation is not immediately available, the State agency will determine whether or not good cause exists for failure to comply with paragraph (a)(2)(i) of this section. If the State agency determines that good cause exists, and the applicant is otherwise eligible, the individual will be eligible for assistance for a period of no longer than four months. If the applicant has been unable to obtain the documents required to complete the SSN application, the State agency's eligibility worker should make every effort to assist the individual in obtaining these documents. Good cause for failure to apply must be shown monthly during the four-month period in order for the individual to continue to receive assistance. The State agency must maintain documentation of the good cause determination in the case file.

(iii) Good cause exists if the applicant or recipient has made every effort to supply the Social Security Administration with the necessary information and does not include delays due to factors such as illness, lack of transportation or temporary absence, because the Social Security Administration makes provisions for mail-in applications in lieu of applying in person.

* * * * *

## PART 233—COVERAGE AND CONDITIONS OF ELIGIBILITY IN FINANCIAL ASSISTANCE PROGRAMS

Part 233 of Chapter II, Title 45, Code of Federal Regulations is amended as set forth below:

15. Section 233.20 is amended by:

a. Revising paragraphs (a)(3)(ii)(D), (a)(3)(iii), and (a)(6)(v)(B).

b. Adding a new paragraph (a)(6)(v)(C).

The additions and revisions read as follows:

### § 233.20 Need and amount of assistance.

(a) * * *

(3) * * *

(ii) * * *

(D) Income, after application of disregards, except as provided in paragraph (a)(3)(xiii) of this section, and resources available for current use shall be considered. To the extent not inconsistent with any other provision of this chapter, income and resources are considered available both when actually available and when the applicant or recipient has a legal interest in a liquidated sum and has the legal ability to make such sum available for support and maintenance. The entire value of an available jointly-held resource will be counted as a resource to an applicant or recipient unless State law prohibits noncontributory signatories from withdrawing funds from or liquidating such assets for their own benefit.

* * * * *

(iii) States may prorate income received by individuals employed on a contractual basis over the period of the contract or may prorate intermittent income received quarterly, semiannually, or yearly over the period covered by the income. States may elect to prorate over a 12-month period income received by individuals who because of a contract or self-employment derive their income in a period of time shorter than one year. States may elect to periodically average monthly interest income. In OAA, AB, APTD and AABD, they may use the prorated or averaged amount to determine need under § 233.23 and the amount of the assistance payment under §§ 233.24 and 233.25. In AFDC, they may use the prorated or averaged amount to determine need under § 233.33 and the amount of the assistance payment under §§ 233.34 and 233.35.

* * * * *

(6) * * *

(v) * * *

(B) For AFDC, with respect to self-employment, the term "earned income" means the total profit from a business enterprise, farming, etc., resulting from a comparison of the gross receipts with the "business expenses," i.e., expenses directly related to producing the goods or services and without which the goods or services could not be produced. However, the following items shall not be considered as business expenses: Depreciation; the purchase price or payments on the principal of loans for the purchase of capital assets, equipment, machinery or other durable goods; net losses from previous periods; money set aside for retirement purposes; Federal, State or local personal income taxes; personal business, entertainment and transportation expenses.

(C) For OAA, AB, APTD, AABD and AFDC income derived from providing room and board, a State may use, in lieu of actual expenses, a flat amount or a fixed percentage of the gross income to determine the business expense, provided that the amount or percentage used is objective and justifiable and the result does not exceed 75% of the gross boarder-generated income. However, if the applicant or recipient can show that the actual expenses of producing the income are higher than those resulting from the application of the State's method, the State must use the higher amount.

* * * * *

16. Section 233.31 is amended by revising paragraph (b)(1) to read as follows:

### § 233.31 Budgeting methods for AFDC.

* * * * *

(b) * * *

(1) "Prospective budgeting" means that the agency shall determine eligibility and compute the amount of assistance based on its best estimate of income and circumstances which will exist in that month. This estimate shall be based on the agency's reasonable expectation and knowledge of current, past or future circumstances, and may be derived by multiplying weekly amounts by 4.3 and biweekly amounts by 2.15 (or reasonably equivalent fractions).

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Date: September 22, 1987.

**Richard E. Lyng,**

*Secretary of Agriculture.*

Date: September 23, 1987.

**Otis M. Bowen,**

*Secretary of Health and Human Services.*

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